THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Renhe Commercial Holdings Company Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

Renhe Commercial Holdings Company Limited
人和商業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1387)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION; (2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; (3) PROPOSED GRANT OF SPECIFIC MANDATE FOR THE CONVERSION SHARES; AND (4) NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

中毅資本有限公司
Grand Moore Capital Limited

A letter from the Board is set out on pages 10 to 38 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 39 to 40 of this circular. A letter from Grand Moore, the independent financial adviser, containing its advice and opinion to the Independent Board Committee and the Shareholders is set out on pages 41 to 81 of this circular.

A notice convening the EGM to be held at 3:00 p.m., on Friday, 20 July 2018, at Tianshan & Lushan Room, Level 5, Island Shangri-La. Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

* *For identification purposes only*

29 June 2018

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition Agreements"	the Hada Acquisition Agreement and the Hangzhou Acquisition Agreement
"Acquisitions"	the Hada Acquisition and the Hangzhou Acquisition
"Announcement"	the announcement of the Company dated 5 June 2018 in relation to, among other things, to the Acquisitions and the Rights Issue
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or a Sunday, any public holiday in Hong Kong or a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks generally are open for business in Hong Kong
"BVI"	the British Virgin Islands
"Company"	Renhe Commercial Holdings Company Limited (Stock Code: 1387), a company incorporated in the Cayman Islands with limited liability, the shares of which is listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules
"Convertible Bond"	the unsecured HK$ settled convertible bond for the principal amount of HK$6,506,024,217 to be issued by the Company in favour of New Amuse, with terms and conditions set out under the paragraph headed "Letter from the Board — B. The Acquisitions — (I) The Hada Acquisition — Principal Terms of the Convertible Bond" of this circular
"Conversion Price"	the initial conversion price of HK$0.163 per Conversion Share, subject to customary adjustments
"Conversion Shares"	new Shares to be issued upon conversion of the Convertible Bond
"Dai Family Group"	Mr. Dai and his associates (including Super Brilliant, Gloss Season, Wealthy Aim, Ms. Zhang and New Amuse)
"Director(s)"	the director(s) of the Company

"EBITDA"	earnings before interest, taxes, depreciation and amortization in accordance with International Financial Reporting Standards or other applicable financial reporting standard as agreed by the parties to the Hada Acquisition
"EGM"	the extraordinary general meeting of the Company to be convened on or about 20 July 2018 at which, among others, the Acquisitions and transactions contemplated thereunder together with the terms of the Hada Acquisition Agreement (including the Convertible Bond and the proposed grant of the Specific Mandate) and the Hangzhou Acquisition Agreement, will be considered, and if thought fit, approved by the Independent Shareholders
"Enlarged Group"	the Group as enlarged by the Hada Target Group and the Hangzhou Target Group upon completion of the Acquisitions
"Framework Lease Agreement"	the framework lease agreement entered into between the New Amuse (as lessor) and Yield Smart (as lessee) dated 9 June 2015 which took effect on 27 July 2015
"Gloss Season"	Gloss Season Limited, a company incorporated in the BVI and holds 122,400,000 Shares, representing approximately 0.28% of the total issued Shares of the Company, as at the date of this circular
"Group"	the Company and its subsidiaries from time to time
"Hada Acquisition"	the acquisition of the entire issued share capital of the Hada Target Company pursuant to the terms and conditions of the Hada Acquisition Agreement
"Hada Acquisition Agreement"	the sale and purchase agreement dated 5 June 2018 entered into between Yield Smart, the Company and New Amuse in respect of the Hada Acquisition
"Hada Completion"	the completion of the Hada Acquisition
"Hada Completion Date"	the date of Hada Completion
"Hada Consideration"	the consideration of RMB5.4 billion for the Hada Acquisition under the Hada Acquisition Agreement, which will be settled by the issuance of the Convertible Bond
"Hada Group"	the PRC Operating Companies and the Hada Target Group referred in Appendix VII to this circular
"Hada Target Company"	United Progress Group Limited, a company incorporated in the BVI which is wholly-owned by New Amuse

"Hada Target Group"	The Hada Target Company and its subsidiaries, including the PRC Landlord Entities (each a **Hada Target Group Company**)
"Hangzhou Acquisition"	the acquisition of the entire issued share capital of the Hangzhou Target Company pursuant to the terms and conditions of the Hangzhou Acquisition Agreement
"Hangzhou Acquisition Agreement"	the sale and purchase agreement dated 5 June 2018 entered into between Yield Smart and the Hangzhou Vendor in respect of the Hangzhou Acquisition
"Hangzhou Changhai"	杭州昌海實業有限公司 (Hangzhou Changhai Industrial Company Limited**), a company incorporated in the PRC, which operates a seafood market in Hangzhou, the PRC and holds 35% interest in Hangzhou Owl
"Hangzhou Completion"	the completion of the Hangzhou Acquisition
"Hangzhou Completion Date"	the date of Hangzhou Completion
"Hangzhou Consideration"	the consideration of HK$1.47 billion (equivalent to approximately RMB1.223 billion) for the Hangzhou Acquisition under the Hangzhou Acquisition Agreement
"Hangzhou Dili"	杭州地利投資管理有限公司 (Hangzhou Dili Investment Management Company Limited**), an investment holding company incorporated in the PRC
"Hangzhou Fruit-products"	杭州果品集團有限公司 (Hangzhou Fruit-products Group Company Limited**), an investment holding company incorporated in the PRC which holds 100% interest in Hangzhou Fruit-wholesale
"Hangzhou Fruit-wholesale"	杭州果品批發有限公司 (Hangzhou Fruit-wholesale Company Limited**), a company incorporated in the PRC which mainly operates a fruit market in Hangzhou, the PRC
"Hangzhou Honghui"	杭州鴻輝農產品有限公司 (Hangzhou Honghui Agri-products Company Limited**), an investment holding company incorporated in the PRC, which holds interest in Hangzhou Changhai (directly as to 62.35% and through Shanghai Tongyuan as to 1.88%)
"Hangzhou Jiaqu"	杭州嘉取投資管理有限公司 (Hangzhou Jiaqu Investments Management Company Limited**), an investment holding company incorporated in the PRC, which directly holds 35.77% interest in Hangzhou Changhai

"Hangzhou Owl"	杭州貓頭鷹典當有限責任公司 (Hangzhou Owl Pawn Company Limited**), a company incorporated in the PRC, mainly engages in pawn loan business
"Hangzhou Target Company"	Wise Path Holdings Limited, a company incorporated in the BVI and is wholly-owned by Hangzhou Vendor
"Hangzhou Target Group"	The Hangzhou Target Company, its wholly-owned subsidiaries of Huge Surplus, Hangzhou Zhaorong, Hangzhou Honghui, Hangzhou Vegetable, Hangzhou Vegetable Logistics, Hangzhou Dili, and its majority-controlled subsidiaries of Hangzhou Fruit-products (indirectly controlled as to 80%), Hangzhou Jiaqu (indirectly controlled as to 98%), Hangzhou Changhai (indirectly controlled as to 100%), Shanghai Tongyuan (indirectly controlled as to 65%), Hangzhou Fruit-wholesale (as to 100% held by Hangzhou Fruit-products) and minority interests in Pinghu Dongxing, Pinghu Agricultural Wholesale and Hangzhou Owl (each a **Hangzhou Target Group Company**)
"Hangzhou Vegetable"	杭州蔬菜有限公司 (Hangzhou Vegetable Company Limited**), a company incorporated in the PRC, which mainly operates a vegetable market in Hangzhou, the PRC
"Hangzhou Vegetable Logistics"	杭州蔬菜物流有限公司 (Hangzhou Vegetable Logistics Company Limited**), a company incorporated in the PRC, which mainly engages in the logistic services for a vegetable market in Hangzhou, the PRC
"Hangzhou Vendor"	Vast Equity Investment Limited, a company incorporated in the BVI and is wholly-owned by Mr. Suen, an Independent third Party
"Hangzhou Zhaorong"	杭州昭融農產品有限公司 (Hangzhou Zhaorong Agri-products Company Limited**), a company incorporated in the PRC, which holds 80% interest in Hangzhou Fruit-products
"Harbin Dili"	哈爾濱地利農副產品有限公司 (Harbin Dili Agricultural By-Products Company Limited**), a company incorporated in the PRC and one of the PRC Operating Companies which operates a Market in Harbin
"Harbin Hada"	哈爾濱哈達農副產品股份有限公司 (Harbin Hada Agricultural and Sideline Products Joint Stock Company Limited**), a company incorporated in the PRC, and one of the PRC Landlord Entities which holds the land and properties for the operation of a Market in Harbin

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huge Surplus"	Huge Surplus Holdings Limited (灝盈控股有限公司), a company incorporated in Hong Kong, which is directly wholly-owned by the Hangzhou Target Company and indirectly wholly-owned by Mr. Suen as at the date of this circular
"Independent Board Committee"	independent board committee established by the Company consisting of all the independent non-executive Directors to advise the Independent Shareholders as to whether the terms and conditions of the Hada Acquisition (including the Convertible Bond) and the Hangzhou Acquisition are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote in the EGM, taking into account the recommendations of the Independent Financial Adviser
"Independent Financial Adviser" or "Grand Moore"	Grand Moore Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Hada Acquisition (including the Convertible Bond) and the Hangzhou Acquisition
"Independent Professional Valuer" or "BMI Appraisals"	BMI Appraisals Limited, an independent professional valuer appointed by the Company
"Independent Shareholder(s)"	Shareholders other than Super Brilliant, New Amuse, Mr. Dai and its associates and any person who is involved in, or interested in the Acquisition Agreements, who are entitled to attend and vote at the relevant shareholders' meeting of the Company under the applicable laws and regulations and the articles of association of the Company
"Independent Third Party(ies)"	(to the best of the Directors' knowledge, information and belief having made all reasonable enquiry) third parties independent of the Company and its connected person within the meanings of the Listing Rules

"Latest Practicable Date"	27 June 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Committee"	has the same meaning ascribed to it under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Market(s)"	the existing seven market(s) for wholesaling and retailing of agricultural produce currently operated by the PRC Operating Companies (namely Shouguang, Guiyang, Harbin (comprising two markets), Qiqihar, Mudanjiang and Shenyang) on the land and properties owned by the PRC Landlord Entities
"Mr. Dai"	Mr. Dai Yongge, the chairman, executive Director and a Controlling Shareholder and hence, a connected person of the Company. As at the date of this circular, Mr. Dai (together with his associates) hold approximately 51.28% of the total issued share capital of the Company
"Mr. Suen"	Mr. Suen Cho Hung, Paul, an Independent Third Party
"Mrs. Hawken"	Mrs. Hawken Xiu Li, a non-executive Director and the sister of Mr. Dai
"Ms. Zhang"	Ms. Zhang Xingmei, a non-executive Director and the spouse of Mr. Dai, a connected person of the Company. As at the date of this circular, Ms. Zhang indirectly wholly-owned New Amuse
"New Amuse"	New Amuse Limited (新喜有限公司), a company incorporated in the BVI, which is directly wholly-owned by Shouguang Dili and indirectly wholly-owned by Ms. Zhang, a connected person of the Company; and holds 6,243,902,439 Shares, representing approximately 14.20% of the total issued Shares of the Company, as at the date of this circular
"Pinghu Agricultural Wholesale"	平湖市農副產品綜合批發市場有限公司 (Pinghu City Agricultural By-Products Wholesale Market Co., Ltd**), a company incorporated in the PRC, which mainly operates an agricultural produce and food market in Pinghu City, the PRC

"Pinghu Dongxing"	平湖市東興副食品有限公司 (Pinghu City Dongxing Food By-Products Co., Ltd**), a company incorporated in the PRC, which holds 47.99% interest in Pinghu Agricultural Wholesale
"PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"PRC Landlord Entity(ies)"	any or all of 壽光農產品物流園有限公司 (Shouguang Agri-Products Logistics Park Company Limited**); 貴陽地利農產品物流園有限公司 (Guiyang Dili Agri-Products Logistics Park Company Limited**); 哈爾濱哈達農副產品股份有限公司 (Harbin Hada Agricultural and Sideline Products Joint Stock Company Limited**); 哈爾濱友誼倉儲有限責任公司 (Harbin Youyi Warehouse Company Limited**); 齊齊哈爾哈達農副產品有限責任公司 (Qiqihar Hada Agricultural and Sideline Products Company Limited**); 牡丹江牡達農副產品有限公司 (Mudanjiang Muda Agricultural and Sideline Products Company Limited**); 瀋陽地利農副產品有限公司 (Shenyang Dili Agricultural and Sideline Products Company Limited**); 瀋陽金東貿置業有限公司 (Shenyang Jindongmao Property Company Limited**) and 遼寧銀達利置業投資有限公司 (Liaoning Yindali Property Investment Company Limited**), each of which is an existing operating subsidiary of New Amuse which holds the land and properties for the operation of the Markets
"PRC Operating Company(ies)"	any or all of 壽光地利農產品物流園有限公司 (Shouguang Dili Agricultural Product Logistics Park Company Limited**); 瀋陽壽光地利農副產品有限公司 (Shenyang Shouguang Dili Agricultural By-Products Company Limited**); 貴陽聚正潤農產品市場管理有限公司 (Guiyang Juzhengrun Agricultural Products Market Management Company Limited**); 齊齊哈爾地利農產品市場管理有限公司 (Qiqihar Dili Agricultural Products Market Management Company Limited**); 哈爾濱地利農副產品有限公司 (Harbin Dili Agricultural By-Products Company Limited**); 牡丹江地利農副產品有限公司 (Mudanjiang Dili Agricultural By-Products Company Limited**); and 哈爾濱達利凱農副產品有限公司 (Harbin Dalikai Agricultural By-Products Company Limited**), each of which is an existing operating subsidiary of the Company which operates the corresponding Markets
"Qualifying Shareholders"	has the meaning ascribed to it in the Announcement

"Relevant Trading Day"	4 June 2018, being the trading day of the Shares immediately prior to the publication of the Announcement
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reporting Accountants"	A big-four accounting firm engaged by the Company for the purpose of the Acquisitions
"Rights Issue"	has the meaning ascribed to it in the Announcement
"Right Shares"	the new Share(s) to be allotted and issued in respect of the Rights Issue
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Tongyuan"	上海桐源投資管理有限公司 (Shanghai Tongyuan Investments Management Company Limited**), a company incorporated in the PRC
"Shareholder(s)"	holder(s) of the Shares
"Shares"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Registrar"	the branch share registrar of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"Shouguang Dili"	Shouguang Dili Agri-Products Group Company Limited, a company incorporated in the Cayman Islands with limited liability and the holding company of New Amuse
"Specific Mandate"	A specific mandate to be granted to by the Independent Shareholders to the Directors at the EGM for the purpose of allot and issue the Conversion Shares
"Super Brilliant"	Super Brilliant Investments Limited, a company incorporated in the BVI and holds 15,383,738,082 Shares, representing approximately 34.99% of the total issued Shares of the Company, as at the date of this circular, a Controlling Shareholder of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	The Codes on Takeovers and Mergers

"Trademark Licensing Agreement"	the trademark licensing agreement entered into between Harbin Hada (as licensor) and Harbin Dili (as licensee) which took effect on 27 July 2015
"Undertaking Shareholders"	has the meaning ascribed to it in the Announcement
"Vendors"	New Amuse and the Hangzhou Vendor
"Wealthy Aim"	Wealthy Aim Holdings Limited, a company incorporated in the BVI and holds 640,762,050 Shares, representing approximately 1.46% of the total issued Shares of the Company, as at the date of this circular
"Yield Smart"	Yield Smart Limited (利駿有限公司), a company incorporated in the BVI and is wholly-owned by the Company
"%"	per cent.
"2015 Transaction"	the acquisition by the Company from New Amuse of the entire issued share capital in Yield Smart which held and controlled the business operations of the Markets. The acquisition was completed on 27 July 2015. Please refer to the announcements of the Company dated 9 June 2015 and 27 July 2015 and the circular of the Company dated 29 June 2015 for more details

The shareholding of the respective Shareholder in the Company as disclosed in this circular refers to the percentage shareholding of such Shareholder to the total issued share capital of the Company.

In this circular, unless the context otherwise requires, the terms "associate(s)", "connected person(s)", "connected transaction(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

For the purpose of this circular, unless the context otherwise requires, conversion of Hong Kong dollars into Renminbi is based on the approximate exchange rate of HK$1 to RMB0.83. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

*The English names of Chinese entities marked with "**" are translations of their Chinese names and are included in this circular for identification purposes only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

Renhe Commercial Holdings Company Limited
人和商業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1387)

Executive Directors:
Mr. Dai Yongge *(Chairman)*
Mr. Wang Hongfang *(Chief Executive Officer)*
Mr. Dai Bin

Non-Executive Directors:
Mrs. Hawken Xiu Li
Ms. Jiang Mei
Ms. Zhang Xingmei
Mr. Zhang Dabin
Ms. Wang Chunrong

Independent Non-Executive Directors:
Mr. Fan Ren-Da, Anthony
Mr. Wang Shengli
Mr. Wang Yifu
Mr. Leung Chung Ki
Mr. Tang Hon Man

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Suites 1701–1703
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

29 June 2018

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION; (2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; (3) PROPOSED GRANT OF SPECIFIC MANDATE FOR THE CONVERSION SHARES; AND (4) NOTICE OF EGM

A. INTRODUCTION

Reference is made to the announcement of the Company dated 5 June 2018 in relation to the Acquisitions.

* *For identification purposes only*

On 5 June 2018, after trading hours, Yield Smart (a wholly-owned subsidiary of the Company) entered into the Hada Acquisition Agreement with New Amuse under which it conditionally agreed to acquire and New Amuse conditionally agreed to sell the entire issued share capital of the Hada Target Company. The consideration for the Hada Acquisition is RMB5.4 billion (equivalent to approximately HK$6.5 billion), which shall be settled by the issuance of the Convertible Bond by the Company. The initial Conversion Price per Share is HK$0.163 and the Convertible Bond will mature on the 10th anniversary of the date of issue. New Amuse may exercise its conversion right under the Convertible Bond after completion of the Rights Issue, subject to certain conversion restrictions. The Hada Target Group holds the land and properties on which the Markets of the Group operate.

On 5 June 2018, after trading hours, Yield Smart (a wholly-owned subsidiary of the Company) entered into the Hangzhou Acquisition Agreement with the Hangzhou Vendor under which it conditionally agreed to acquire and the Hangzhou Vendor conditionally agreed to sell the entire issued share capital of the Hangzhou Target Company. The Hangzhou Target Group operates fruits, vegetables and seafood markets in Hangzhou, the PRC and owns land and properties for the operation of such markets. The consideration for the Hangzhou Acquisition is HK$1.47 billion (equivalent to approximately RMB1.223 billion), which shall be satisfied by cash.

As some of the applicable percentage ratios (as defined under the Listing Rules) by aggregating the Hada Acquisition and Hangzhou Acquisition exceed 100%, the Acquisitions constitute a very substantial acquisition for the Company under the Listing Rules.

New Amuse is a substantial shareholder of the Company and indirectly wholly-owned by Ms. Zhang, a non-executive Director, New Amuse is a connected person of the Company under the Listing Rules. Accordingly, the Hada Acquisition and transactions contemplated thereunder also constitute a connected transaction of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Hangzhou Acquisition and the Hada Acquisition were negotiated at around the same time, for enhanced corporate governance, the Company accepts to treat the Hangzhou Acquisition as a connected transaction on a voluntary basis. The Hangzhou Acquisition will be put forward to the EGM for Independent Shareholders' approval.

The purpose of this circular is to provide you with: (i) further information on the Acquisitions; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders as to whether the terms and conditions of the Hada Acquisition (including the Convertible Bond), the proposed grant of the Specific Mandate and the Hangzhou Acquisition are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations from the Independent Financial Adviser; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) financial information and property valuation on the Hada Target Group and Hangzhou Target Group; and (v) a notice of the EGM.

B. THE ACQUISITIONS

Background

The Group operates seven agricultural produce markets across China. These Markets are operated by PRC Operating Companies of the Group on land and properties which are currently leased from the substantial shareholder of the Company, New Amuse. New Amuse owns such land and properties indirectly through PRC Landlord Entities.

(I) The Hada Acquisition

Date:	5 June 2018
Parties:	Yield Smart Limited, a wholly-owned subsidiary of the Company, as purchaser The Company New Amuse Limited, as vendor
Subject matter to be acquired:	the entire issued share capital of the Hada Target Company

New Amuse is a substantial shareholder of the Company and indirectly wholly-owned by Ms. Zhang, a non-executive director of the Company and hence, it is a connected person of the Company.

Hada Consideration

The consideration payable by the Company to New Amuse pursuant to the Hada Acquisition Agreement is RMB5.4 billion (equivalent to approximately HK$6.5 billion), which shall be settled by the issuance of the Convertible Bond by the Company. Details of the Convertible Bond are set out in the paragraph headed "Principal Terms of the Convertible Bond" in this section.

Basis of the Consideration

The Hada Consideration was determined after arm's length negotiations between the parties to the Hada Acquisition Agreement following due consideration of, without limitation, the following factors:

(a) the preliminary appraised value of the Markets of approximately RMB12.0 billion (equivalent to approximately HK$14.5 billion), pursuant to a preliminary business valuation by the Independent Professional Valuer adopting the market approach using comparable companies, the details of which are set out in Appendix VII to this circular and taking into account the combined EBITDA of the Hada Target Group and the PRC Operating Companies based on the advanced management accounts for the year ended 31 December 2017 of approximately RMB768 million (equivalent to approximately HK$925 million) and based on an EV/EBITDA multiple of 13.92, the enterprise value is adjusted to subtract total debt (excluding those to be settled before the Hada Completion being the settlement or loan capitalization of accounts receivables and payables to New Amuse and its associates and bank borrowings), preferred equity and minority interest and adding back cash and cash equivalent, and further adjusted by the discount for lack of marketability and control premium to derive the appraised value of approximately RMB12.0 billion (equivalent to approximately HK$14.5 billion), the details of the computation are explained in Appendix VII to this circular;

(b) the intangible asset value and goodwill associated with the PRC Operating Companies previously acquired by the Company in the 2015 Transaction, being approximately RMB6.1 billion (equivalent to approximately HK$7.3 billion) as at 31 December 2017; and

(c) the preliminary land and property valuation of the Hada Target Group by the Independent Professional Valuer as at 31 March 2018, being approximately RMB6.9 billion (equivalent to approximately HK$8.3 billion) (assuming all leases under the Framework Lease Agreement had been terminated as at the date of valuation).

The Directors consider that the valuation of Hada Target Group shall be the difference in amount between components (a) and (b) above ("**Hada Target Group Valuation**"). The reason for using such difference as one of the basis of the Hada Consideration is that the intangible asset value and goodwill was generated from the acquisition of the operating rights of the Markets in the 2015 Transaction and the Hada Consideration should reflect the incremental value attributable to the land and properties of the Hada Target Group to be acquired in the Hada Acquisition. Based on arm's length negotiation, the Hada Consideration as commercially agreed between the parties was arrived at by applying an approximately 8.5% discount to the Hada Target Group Valuation.

Subsequent to the Announcement, in respect of component (b) above, the Company has obtained from the Independent Professional Valuer an appraised value of RMB5.6 billion (equivalent to approximately HK$6.7 billion) of the intangible asset value associated with the PRC Operating Companies previously acquired in the 2015 Transaction. Together with the goodwill of approximately RMB0.4 billion (equivalent to approximately HK$0.5 billion), the aggregate value of component (b) above is approximately RMB6.0 billion (equivalent to approximately HK$7.2 billion), which pre-dominantly comprises fair value and accordingly, could be regarded as a comparable value to component (a). The 2015 Transaction was an asset-light transaction due to the nature of the Markets and the subject matter of the then acquisition was mainly the operating rights of the Markets, which was acquired by the Company by way of assignment of business contracts. Other than the intangible asset and goodwill mentioned in component (b) above, the assets of the

Markets acquired in the 2015 Transaction comprised only an immaterial cash balance of RMB6,000 (equivalent to approximately HK$7,200). Accordingly, given that there was no other material asset of the Markets acquired in the 2015 Transaction, no further deduction of asset value from the Hada Consideration is made. Subsequent to the 2015 Transaction, approximately RMB691 million cash and cash equivalent was generated by the PRC Operating Companies as at 31 December 2017. For illustrative purpose only (as the said cash and cash equivalent was not acquired in the 2015 Transaction), if such cash and cash equivalent of approximately RMB691 million were to be deducted from the Hada Group Valuation, the difference of approximately RMB 5.3 billion would be in line with the Hada Consideration of RMB5.4 billion.

As stated in component (a) above, the Hada Consideration was determined taking into account the settlement or loan capitalization of accounts receivables (of approximately RMB16.4 billion (equivalent to approximately HK$19.8 billion)) from and payables (of approximately RMB5.2 billion (equivalent to approximately HK$6.3 billion)) to New Amuse and its associates and bank borrowings (of approximately RMB16.5 billion (equivalent to approximately HK$19.9 billion)) of the Hada Target Group before the Hada Completion. Upon settlement of such accounts receivables and bank borrowings and the loan capitalization (by allotment of new share(s) by the Hada Target Company) of the payables, it is expected that the Hada Target Group will have a net asset value of approximately RMB824 million (equivalent to approximately HK$993 million) immediately prior to the Hada Completion (which was calculated by adding the positive effect of such loan capitalization, being approximately RMB3,459 million of the amount due to New Amuse or its associates as at 31 December 2017 (equivalent to approximately HK$4,167 million) to the net liability of the Hada Target Group as at 31 December 2017 of approximately RMB2,635 million (equivalent to approximately HK$3,174 million)).

Furthermore, as referred to in component (c) above, the preliminary property valuation has assumed all leases under the Framework Lease Agreement will be terminated upon the Hada Completion as no lease arrangement will be required after the integration of the Hada Target Group with the PRC Operating Companies and accordingly, the historical net loss position of the Hada Target Group has not been taken into account when determining the Hada Consideration.

Other Benchmarks

The re-assessed net asset value ("**RNAV**") of Hada Target Group immediately before the Hada Completion is expected to be approximately RMB6.8 billion (equivalent to approximately HK$8.2 billion), being the sum of (i) the expected net asset value of the Hada Target Group of approximately RMB824 million (equivalent to approximately HK$993 million) immediately prior to the Hada Completion after taking into account of the settlement of accounts receivables and capitalization of loans; and (ii) the gain on revaluation of the land and properties of the Hada Target Group of approximately RMB5.94 billion (equivalent to approximately HK$7.1 billion) (being the preliminary land and properties valuation of the Hada Target Group as required by Rule 5.02 of the Listing Rules and referred in component (c) above of approximately RMB6.9 billion (equivalent to approximately HK$8.3 billion), subtracting therefrom the book value of the land and properties of the Hada Target Group for the operations of the Markets held as investment properties as at 31

December 2017 of approximately RMB930 million (equivalent to approximately HK$1,120 million)). The Hada Consideration represents approximately a 20% discount to the RNAV.

The book value of the land and properties of Hada Target Group for the operations of the Markets held as investment properties of approximately RMB930 million (equivalent to HK$1,120 million) has considered the rental income of the PRC Landlord Entities from the leases at rates below market rates under the Framework Lease Agreement. Given that the leases will be terminated upon the Hada Completion, it is not appropriate to only consider such book value without considering the value of the land and properties to be brought about by the potential benefits of integration of the land and properties with the operations of the Markets after termination of the leases (where the Enlarged Group as the landlord can freely utilise the land and properties in its sole discretion), and such value is reflected in the land and properties valuation of approximately RMB6.9 billion (equivalent to HK$8.3 billion) set out in Appendix VIII to this circular. Accordingly, it is relevant to add back the gain on revaluation of approximately RMB5.94 billion (equivalent to HK$7.1 billion) to the expected net asset value of the Hada Target Group to determine the RNAV.

The basis of computing the book value of the land and properties as at 31 December 2017 for the operations of the Markets of approximately RMB930 million (equivalent to approximately HK$1,120 million) is different from that of the appraised value of the land and properties as at 31 March 2018 of approximately RMB6.9 billion (equivalent to HK$8.3 billion) set out in Appendix VIII to this circular. The book value of the land and properties was computed with consideration of the rental income of the Hada Target Group from the leases under the Framework Lease Agreement and is therefore much lower in value than the appraised value of the land and properties which was appraised on the assumption that all leases under the Framework Lease Agreement will be terminated upon the Hada Completion. On that basis, the Directors consider the land and property valuation of the Hada Target Group set out in Appendix VIII to this circular to be fair and reasonable.

The approach taken to calculate the RNAV as set out in the Announcement has erred on the conservative side in that the appraised value of land and properties as at 31 March 2018 has given no commercial value to those properties without title certificates. An alternative approach would be to take the appraised value of the land and properties with or without title certificates, which value is approximately RMB12.5 billion (equivalent to approximately HK$15.1 billion) as shown in note e. (2) on page VI-11 of Appendix VI to this circular, based on which, the *alternative* RNAV of the Hada Target Group immediately before the Hada Completion is expected to be approximately RMB12.4 billion (equivalent to approximately HK$14.9 billion) (the "**Alternative RNAV**"). The Alternative RNAV is a combined valuation appraised with reference to the operations of the Markets integrated with all land and properties of the Hada Target Group on which the Markets situate and it is not premised on the preliminary land and properties valuation under Rule 5.02 of the Listing Rules. Despite that certain properties of the

Hada Target Group may not possess title certificates as at the Latest Practicable Date, the competent government authorities in the PRC have either confirmed no action will be taken to impose fines or penalties; the relevant Hada Target Group Company is entitled to continue its occupation or usage of such properties; or where the title certificates are being applied for, there exist no material impediments to obtain such title certificates. Given that the Group will be able to continue to use and occupy such properties for the operation of the Markets after the Hada Completion, the Company considers it relevant and appropriate to take into account all land and properties of the Hada Target Group when computing the Alternative RNAV.

The Alternative RNAV is the sum of (i) the expected net asset value of the Hada Target Group of approximately RMB824 million (equivalent to approximately HK$993 million) and (ii) the gain on revaluation of the land and properties of approximately RMB11.6 billion (equivalent to approximately HK$14.0 billion) (being the difference between RMB12.5 billion (equivalent to approximately HK$15.1 billion) and RMB930 million (equivalent to approximately HK$1,120 million)). If account is taken to recognise the economic benefits to the Group which arose from the 2015 Transaction in terms of the intangible asset value and goodwill referred to in component (b) in the sub-paragraph headed ‘‘Basis of the Consideration’’ above by deducting component (b), which fair value being approximately RMB6.0 billion (equivalent to approximately HK$7.2 billion) as appraised by the Independent Professional Valuer, from the Alternative RNAV, being approximately RMB12.4 billion (equivalent to approximately HK$14.9 billion), the difference, being approximately RMB6.4 billion (equivalent to approximately HK$7.7 billion) is much higher than the Hada Consideration of RMB5.4 billion (equivalent to approximately HK$6.5 billion), and as such the Hada Consideration is still more favourable to the Company.

On the other hand and vis-a-vis the RNAV, no account is taken or required to be taken to recognize the economic benefits to the Group which arose from the 2015 Transaction represented by component (b) in the sub-paragraph headed ‘‘Basis of the Consideration’’ above as the RNAV is premised on the preliminary land and properties valuation of the Hada Target Group (as required by Rule 5.02 of the Listing Rules) by the Independent Professional Valuer, which does not take into account the 2015 Transaction, being the acquisition of operating rights of the Markets, nor the economic benefits to the Group which arose thereunder. As stated in the paragraph headed ‘‘Valuation Methodology’’ in Appendix VIII, the Independent Professional Valuer has adopted the investment approach by capitalizing the net rents of the real property interests of which the Hada Target Group is entitled to receive for the residual term of the lease of the real property interests and where appropriate, the Independent Professional Valuer has adopted the comparison approach assuming sale in the existing state of the land and properties with the benefit of vacant possession by making reference to comparable sale evidence as available in the relevant market. As such, the Company considers it not necessary nor appropriate to subtract component (b), representing the economic benefits of the 2015 Transaction to the Group in terms of intangible asset value and goodwill, from the RNAV.

The references to the RNAV and the Alternative RNAV of the Hada Target Group are commercial valuation of the assets to be acquired and they are included only to demonstrate the fairness and reasonableness of the Hada Consideration and that it is in the interest of the Company and its Shareholders as a whole. The RNAV and the Alternative RNAV are computed based on parameters which are separate from the basis of the Hada Consideration set out under the sub-paragraph headed "Basis of the Consideration" above and the RNAV and the Alternative RNAV are not reviewed by the Reporting Accountants engaged by the Company nor required to be computed in accordance with the applicable accounting standards.

Conditions Precedent

The Hada Completion is conditional on the satisfaction (or waiver, if applicable) of the following conditions precedent on or before 31 December 2018:

(a) all necessary corporate authorisations or shareholders' approvals being obtained, including approvals being obtained from the Independent Shareholders at the EGM for, among others, (i) the Hada Acquisition Agreement and the transactions contemplated thereunder; and (ii) the proposed grant of the Specific Mandate; and from the Shareholders for the proposed increase in authorised share capital;

(b) all necessary approvals, licenses, authorisations, consents, waivers or notifications necessary from third parties, governmental or regulatory authorities being obtained and in effect, including the approval being obtained from the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Main Board of the Stock Exchange;

(c) the settlement of all accounts receivables from and payables to New Amuse and its associates and bank borrowings of the Hada Target Group subsisting before the Hada Completion;

(d) the representations and warranties provided by New Amuse under the Hada Acquisition Agreement remaining true, accurate and not misleading as at the Hada Completion Date and as if repeated at all times between the date of the Hada Acquisition Agreement and the Hada Completion Date;

(e) the representations and warranties provided by Yield Smart under the Hada Acquisition Agreement remaining true, accurate and not misleading as at the Hada Completion Date and as if repeated at all times between the date of the Hada Acquisition Agreement and the Hada Completion Date;

(f) New Amuse having performed and complied with all agreements, obligations, and conditions contained in the Hada Acquisition Agreement that are required to be performed or complied with by it on or before completion of the transactions contemplated thereunder;

(g) the Reporting Accountants having completed the audit of and issued an unqualified opinion on the accountants' reports of the Hada Target Group the contents of which being satisfactory to the Company;

(h) the Independent Professional Valuer having completed the valuation of properties and issued a property valuation report of the Hada Target Group in accordance with the requirements of the Listing Rules and the contents of which being satisfactory to the Company; and

(i) the completion of the Hangzhou Acquisition.

If any of the conditions of the Hada Acquisition Agreement is not fulfilled or waived by Yield Smart or the Company (in respect of conditions (d), (f) and (i)) or by New Amuse (in respect of condition (e)) on or before 31 December 2018 (or such later date to be agreed between the parties to the Hada Acquisition Agreement in writing), the Hada Acquisition Agreement shall lapse and no party shall have any claim against the other, except in respect of antecedent breaches. For conditions (d), (e), (f) and (i) which are waivable, Yield Smart, the Company or New Amuse (as the case may be) may waive such condition where the impact of doing so is immaterial and will not affect the substance of the Hada Acquisition. Conditions (a), (b), (c), (g) and (h) are not waivable by the parties. As at the date of this circular, none of the conditions have been fulfilled and the parties are not aware of any circumstances which may render the conditions above not fulfilled on or before the Hada Completion Date.

The completion of the Hangzhou Acquisition is a condition precedent (which is waivable at the discretion of Yield Smart as purchaser) of the Hada Acquisition as the Acquisitions were negotiated at the same time and definitive agreements were entered into on the same date and are accordingly treated as inter-conditional upon each other but waivable at the discretion of Yield Smart as purchaser. The Hada Acquisition (which constitutes a connected transaction of the Company) and the Hangzhou Acquisition (which is treated as a connected transaction of the Company on a voluntary basis) will be considered and if thought fit, approved by the Independent Shareholders at the same EGM.

Principal Terms of The Convertible Bond

Under the Hada Acquisition Agreement, the Company shall issue the Convertible Bond to satisfy the Hada Consideration. The terms of the Convertible Bond have been negotiated on an arm's length basis and the principal terms of which are set out below:

Issuer	:	The Company
Aggregate principal amount	:	HK$6,506,024,217 (equivalent to approximately RMB5.4 billion)

Issue price	:	100% of the principal amount of the Convertible Bond, payable in full at the Hada Completion
Conversion Right	:	Holder(s) of the Convertible Bond shall have the right to convert all or part of Convertible Bond into Conversion Shares at any time after the completion of the Rights Issue (for this purpose, being the first day of dealings of fully-paid Rights Shares) and provided that: (i) the conversion would not result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules; and (ii) no general obligation will be triggered as a result of the conversion unless such obligation is otherwise waived by the SFC.
Conversion Price	:	HK$0.163 per Conversion Share, subject to customary adjustments
Number of Conversion Shares issuable	:	39,914,259,000 Conversion Shares are issuable upon full conversion based on the initial Conversion Price of HK$0.163
Maturity	:	The Convertible Bond will mature on the 10th anniversary of the date of issue
Lock-up period	:	Holder(s) of the Conversion Shares may not dispose, transfer or otherwise create any encumbrances over the Conversion Shares so converted within the first three (3) years after conversion
Interest payment	:	Holder(s) of the Convertible Bond are not entitled to receive any interest payment
Status:	:	The Convertible Bond constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and will at all times rank *pari passu* and without any preference or priority among themselves. Any payment obligations of the Company under the Convertible Bond will, save for such exceptions as may be provided by mandatory provisions of applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations

Voting rights:	:	Holder(s) of the Convertible Bond are not entitled to vote at any general meetings of the Company by reason only of it being a holder of such Convertible Bond
Listing:	:	No listing will be sought for the Convertible Bond on the Stock Exchange or any other stock exchange. However, an application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares

Conversion price

The initial Conversion Price of HK$0.163 was determined after arm's length negotiations between the Company and New Amuse, and it represents:

(a) a discount of approximately 2.98% to the closing price of the Shares of HK$0.168 as quoted on the Stock Exchange on the Relevant Trading Day;

(b) a discount of approximately 0.79% to the average closing price of the Shares of HK$0.164 as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Relevant Trading Day;

(c) a premium of approximately 3.82% over the average closing price of the Shares of HK$0.157 as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Relevant Trading Day;

(d) a discount of approximately 4.29% to the average closing price of the Shares of HK$0.170 as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Relevant Trading Day;

(e) a premium of approximately 7.24% over the closing price of the Shares of HK$0.152 as quoted on the Stock Exchange on the Latest Practicable Date; and

(f) a premium of approximately 3.16% to the Group's latest audited net asset per Share as at 31 December 2017 of HK$0.158.

The Conversion Price was determined after arm's length negotiation between the Company and New Amuse with reference to the closing price per Share of the Company on and prior to the Relevant Trading Day and the subscription price per Share under the Rights Issue.

Hada Completion

Completion is expected to take place on the second Business Day from the date on which all conditions in the Hada Acquisition Agreement have been fulfilled or waived (as the case may be), unless otherwise agreed by the parties. The Company currently expects that the completion of the Hada Acquisition and the Hangzhou Acquisition will take place on or around the same day.

Upon the Hada Completion, the Hada Target Company will become a wholly-owned subsidiary of the Enlarged Group and each Hada Target Group Company will become a subsidiary of the Enlarged Group and the financial results of the Hada Target Group will be consolidated into the accounts of the Enlarged Group.

(II) The Hangzhou Acquisition

Date:	5 June 2018
Purchaser:	Yield Smart Limited, a wholly-owned subsidiary of the Company
Vendor:	Vast Equity Investment Limited, an Independent Third Party
Subject matter to be acquired:	the entire issued share capital of the Hangzhou Target Company

Hangzhou Consideration

The total consideration payable by the Company to the Hangzhou Vendor pursuant to the Hangzhou Acquisition Agreement is HK$1.47 billion (equivalent to approximately RMB1.223 billion), of which:

(a) a refundable deposit in the total amount of HK$700 million which should be payable on or prior to the date of the Hangzhou Acquisition Agreement (the "**Deposit**")); and

(b) the remaining balance of HK$770 million shall be satisfied by cash on the Hangzhou Completion Date.

The Deposit is refundable by the Hangzhou Vendor in full within seven Business Days upon being notified by Yield Smart if any of the conditions precedent of the Hangzhou Acquisition Agreement is not fulfilled or waived in accordance with the Hangzhou Acquisition Agreement or if the Hangzhou Acquisition Agreement is not completed in accordance with the provisions therein or is otherwise terminated by the parties prior to the Hangzhou Completion. As security against any default of the Hangzhou Vendor in refunding the Deposit, share charges over the entire issued share capital of the Hangzhou Target Company and its wholly-owned Hong Kong-incorporated subsidiary, Huge Surplus, have been entered into by the Hangzhou Vendor and the Hangzhou Target Company, respectively, in favour of Yield Smart.

Basis of the Hangzhou Consideration

The Hangzhou Consideration was determined after arm's length negotiations between the parties to the Hangzhou Acquisition Agreement following due consideration of the preliminary appraised value of the Hangzhou Target Group of approximately RMB1.9 billion (equivalent to approximately HK$2.3 billion), pursuant to a preliminary business valuation by the Independent Professional Valuer adopting a market approach using comparable companies and considering the business development and future prospects of the Hangzhou Target Group. The Hangzhou Consideration represents a discount of approximately 35.6% from the preliminary appraised value of Hangzhou Target Group.

Conditions Precedent

The Hangzhou Completion is conditional on the satisfaction (or waiver, if applicable) of the following conditions precedent on or before 31 December 2018:

(a) all necessary corporate authorisations or shareholders' approvals being obtained, including approvals being obtained from the Independent Shareholders at the EGM for, among others, the Hangzhou Acquisition Agreement and the transactions contemplated thereunder;

(b) all necessary approvals, licenses, authorisations, consents, waivers or notifications necessary from third parties, governmental or regulatory authorities being obtained and in effect;

(c) the completion of due diligence on the Hangzhou Target Group to the satisfaction of the Company in its sole discretion;

(d) the representations and warranties provided by the Hangzhou Vendor under the Hangzhou Acquisition Agreement remaining true, accurate and not misleading as at the Hangzhou Completion Date and as if repeated at all times between the date of the Hangzhou Acquisition Agreement and the Hangzhou Completion Date;

(e) the representations and warranties provided by Yield Smart under the Hangzhou Acquisition Agreement remaining true, accurate and not misleading as at the Hangzhou Completion Date and as if repeated at all times between the date of the Hangzhou Acquisition Agreement and the Hangzhou Completion Date;

(f) the Hangzhou Vendor having performed and complied with all agreements, obligations, and conditions contained in the Hangzhou Acquisition Agreement that are required to be performed or complied with by it on or before completion of the transactions contemplated thereunder;

(g) the Reporting Accountants having completed the audit of and issued an unqualified opinion on the accountants' reports of the Hangzhou Target Group the contents of which being satisfactory to the Company;

(h) the Independent Professional Valuer having completed the valuation of properties and issued a property valuation report of the Hangzhou Target Group in accordance with the requirements of the Listing Rules and the contents of which being satisfactory to the Company;

(i) the completion of the Hada Acquisition; and

(j) the completion of the Rights Issue.

If any of the conditions of the Hangzhou Acquisition Agreement is not fulfilled or waived by the Yield Smart (in respect of conditions (c), (d), (f), (i) and (j)) or by the Hangzhou Vendor (in respect of condition (e)) on or before 31 December 2018 (or such later date to be agreed between the parties to the Hangzhou Acquisition Agreement in writing), the Hangzhou Acquisition Agreement shall lapse and no party shall have any claim against the other, except in respect of antecedent breaches. For conditions (c), (d), (e), (f), (i) and (j) which are waivable, Yield Smart or the Hangzhou Vendor (as the case may be) may waive such condition where the impact of doing so is immaterial and will not affect the substance of the Hangzhou Acquisition. Conditions (a), (b), (g) and (h) are not waivable by the parties. As at the date of this circular, none of the conditions have been fulfilled and the parties are not aware of any circumstances which may render the conditions above not fulfilled on or before the Hangzhou Completion Date.

The completion of the Hada Acquisition is a condition precedent (which is waivable at the discretion of Yield Smart or the Company) of the Hangzhou Acquisition as the Acquisitions were negotiated at around the same time and definitive agreements entered into on the same date and are accordingly treated as inter-conditional upon each other but waivable at the discretion of Yield Smart or the Company. The Hada Acquisition (which constitutes a connected transaction of the Company) and the Hangzhou Acquisition (which is treated as a connected transaction of the Company on a voluntary basis) will be considered and if thought fit, approved by the Independent Shareholders at the same EGM. As for the Rights Issue, since the Hangzhou Consideration will be settled by using the proceeds from the Rights Issue, the Rights Issue is therefore a conditions precedent to the completion of the Hangzhou Acquisition, but waivable at the discretion of Yield Smart as the purchaser. Given that both the Hada Acquisition and the Hangzhou Acquisition are subject to approvals by Independent Shareholders at the same EGM and the Hangzhou Vendor is willing to await for the completion of the Rights Issue whereby proceeds of the Rights Issue will be available for settlement of the remainder of the Hangzhou Consideration, the Company currently expects that the completion of the Hada Acquisition and the Hangzhou Acquisition will take place on or around the same day.

Hangzhou Completion

Completion is expected to take place on the second Business Day from the date on which all conditions in the Hangzhou Acquisition Agreement have been fulfilled or waived (as the case may be), unless otherwise agreed by the parties. The Company currently expects that the completion of the Hada Acquisition and the Hangzhou Acquisition will take place on or around the same day.

Upon the Hangzhou Completion, the Hangzhou Target Company will become a wholly-owned subsidiary of the Enlarged Group and each Hangzhou Target Group Company will become a subsidiary of the Enlarged Group. The financial results of the Hangzhou Target Group will be consolidated into the accounts of the Enlarged Group.

C. INFORMATION OF THE GROUP

The Company and its subsidiaries are principally engaged in business operations of seven agricultural produce markets in six cities in the PRC namely Shouguang, Guiyang, Harbin, Qiqihar, Mudanjiang and Shenyang. The Markets are engaged in the wholesaling and distribution of primarily vegetables and also fruits, seafood, meat, grain and oil and other food produce.

D. INFORMATION OF THE VENDORS

Information of the Vendors

New Amuse is an investment holding company incorporated in the BVI with limited liability, currently wholly-owned by Shouguang Dili. Shouguang Dili is in turn wholly-owned by Ms. Zhang. As New Amuse is a substantial shareholder of the Company and is indirectly wholly-owned by Ms. Zhang, a non-executive Director, it is a connected person of the Company.

The Hangzhou Vendor is an investment holding company incorporated in the BVI with limited liability, an Independent Third Party.

E. INFORMATION RELATING TO THE HADA TARGET GROUP

Hada Target Company

The Hada Target Company is an investment holding company incorporated in the BVI with limited liability. As of the date of this circular, it controls the PRC Landlord Entities.

Hada Target Group

The Hada Target Group comprises nine PRC Landlord Entities which together hold the land and properties for the operation of the seven Markets.

Below set out the nature and details of the land and properties held by the Hada Target Group:

Agriculture wholesale market	Location	Approximate GFA *(sq.m.)*	Approximate site Area *(sq.m.)*	Nature of land use
China Shouguang Agricultural Produce Logistics Park	Shouguang City, Shandong province	550,000	1,120,000	Wholesale, retail and storage
Harbin Hada Agricultural Produce Market	Harbin City, Heilongjiang province	220,000	130,000	Commercial, storage and office etc.
Shenyang Shouguang Dili Agricultural By-Products Markets	Shenyang City, Liaoning province	270,000	210,000	Wholesale, retail and storage
Qiqihar Hada Agricultural Produce Market	Qiqihar City, Heilongjiang province	40,000	70,000	Public services, storage and office
Harbin Youyi Agricultural Produce Market	Harbin City, Heilongjiang province	10,000	3,000	Commercial and storage
Muda International Agricultural Produce Logistics Park	Mudanjiang City, Heilongjiang province	170,000	170,000	Wholesale, retail and storage
Guiyang Agricultural Produce Logistics Park	Guiyang City, Guizhou province	190,000	170,000	Commercial, market and storage

Financial information of the Hada Target Group

Based on the audited accounts of the Hada Target Group, the historical financial information of Hada Target Group for the two years ended 31 December 2017 is set out below.

	For the financial year ended 31 December	
	2016	**2017**
	(RMB'000 approx.)	*(RMB'000 approx.)*
Net loss before taxation	(222,610)	(23,941)
Net loss after taxation	(238,979)	(53,635)

Note: The net loss of the Hada Target Group mainly arose from (i) the rental income from the Group under the Framework Lease Agreement, the rental rate of which was below market rent in favour of the Group; and (ii) the re-valuation losses on investment properties.

Upon completion of the Hada Acquisition, the Hada Target Group will be integrated with the PRC Operating Companies and operate as one business going forward and as the Framework Lease Agreement and all leases thereunder will be terminated upon the Hada Completion, no re-valuation losses in connection with such leases will be accounted for upon the Hada Completion. The combined profits for the year ended 31 December 2017 of the Hada Target Group and the PRC Operating Companies on an integrated basis is, for illustrative purpose only, approximately RMB467 million.

Based on the audited accounts, the net liability value of the Hada Target Group as at 31 December 2017 was approximately RMB2.64 billion. As all accounts receivables from and payables to New Amuse and its associates will be settled by way of loan capitalization prior to Hada Completion, it is expected that the Hada Target Group will have a net asset position immediately prior to Hada Completion and its net asset value is expected to be approximately RMB824 million immediately prior to the Hada Completion.

The property valuation by the Independent Professional Valuer of the land and properties of the Hada Target Group as at 31 March 2018 is approximately RMB6.9 billion (equivalent to approximately HK$8.3 billion), on the assumption that all leases under the Framework Lease Agreement will be terminated upon the Hada Completion as no lease arrangement will be required after the integration of the Hada Target Group and the PRC Operating Companies.

For reasons set out above, the historical net loss position with net liability value of the Hada Target Group has not been taken into account when determining the Hada Consideration and for the detailed basis set out under the sub-paragraph headed "(I) The Hada Acquisition — Basis of the Consideration" of this section, supported with references to the re-assessed net asset values under the sub-paragraph "Other Benchmarks" of this section, the Directors (other than the independent non-executive

Directors whose view is set out in the section "Letter from the Independent Board Committee" of this circular and the Directors who have abstained from voting in the relevant Board resolutions) consider the Hada Consideration to be fair and reasonable.

Please refer to sections headed "Financial Information of the Hada Target Group" and "Accountants' Report of the Hada Target Group" set out in Appendix II and Appendix IV respectively to this circular for further financial information of the Hada Target Group.

F. INFORMATION RELATING TO THE HANGZHOU TARGET GROUP

Hangzhou Target Company

The Hangzhou Target Company is an investment holding company incorporated in the BVI with limited liability. As of the date of this circular, it holds and controls certain companies in Hangzhou which operate fruits, vegetables and seafood markets.

Hangzhou Target Group

The Hangzhou Target Group comprises the Hangzhou Target Company, Huge Surplus, Hangzhou Zhaorong, Hangzhou Honghui and their subsidiaries and associate. The Hangzhou Target Group holds and controls:

(i) the entire equity interest in Hangzhou Zhaorong, which in turn holds 80% equity interest in Hangzhou Fruit-products, which holds 100% in Hangzhou Fruit-wholesale, 52% in Pinghu Dongxing which in turn holds 47.99% in Pinghu Agricultural Wholesale and 55.91% in Hangzhou Jiaqu, which in turn holds 35.77% in Hangzhou Changhai. Hangzhou Fruit-wholesale operates a fruit market in Hangzhou, the PRC and Pinghu Agricultural Wholesale operates an agricultural produce and food market in Pinghu City, the PRC; and

(ii) the entire equity interest in Hangzhou Honghui, which in turn holds and controls 100% equity interest in Hangzhou Vegetable and Hangzhou Vegetable Logistics, which operate a vegetable market in Hangzhou, the PRC; 42.09% in Hangzhou Jiaqu; 65% in Shanghai Tongyuan and 64.23% (of which 1.88% is held through Shanghai Tongyuan) in Hangzhou Changhai, which operates a seafood market in Hangzhou, the PRC; 35% in Hangzhou Owl which is held by Hangzhou Changhai; and 100% in Hangzhou Dili.

Financial information of the Hangzhou Target Group

Based on the combined audited accounts of the Hangzhou Target Group, the historical combined financial information of Hangzhou Target Group for the two years ended 31 December 2017 is set out below.

	For the financial year ended 31 December	
	2016	**2017**
	(RMB'000 approx.)	*(RMB'000 approx.)*
Net profits before taxation	46,852	119,225
Net profits after taxation	9,164	84,328

The combined net asset value of Hangzhou Changhai, Hangzhou Honghui and Hangzhou Zhaorong as at 31 December 2017 was approximately RMB1,098,569,000. The property valuation by the Independent Professional Valuer of the land and properties of the Hangzhou Target Group as at 31 March 2018 is approximately RMB1.8 billion (equivalent to approximately HK$2.2 billion).

Please refer to sections headed ''Financial Information of the Hangzhou Target Group'' and ''Accountants' Report of the Hangzhou Target Group'' set out in Appendix III and Appendix V respectively to this circular for further financial information of the Hangzhou Target Group.

G. RECONCILIATION OF THE VALUATION OF PROPERTIES

Hada Target Group

For details of the Hada Target Group's properties as at 31 March 2018 and the text of the valuation certificates of these property interests prepared by BMI Appraisals, please see Appendix VIII to this circular.

The following table sets forth the reconciliation of the Hada Target Group's properties from the consolidated financial statement as of 31 December 2017 to property valuation as at 31 March 2018:

	(RMB'000)
Net book value of the properties as at 31 December 2017	940,789
Add: additions during the period from 31 December 2017 to 31 March 2018	44,365
Less: decrease during the period from 31 December 2017 to 31 March 2018	54
Net book value of the properties as at 31 March 2018	985,100
Revaluation surplus	5,887,890
Valuation of properties as at 31 March 2018 as set out in the property valuation report set out in Appendix VIII to this circular	6,872,990

Hangzhou Target Group

For details of the Hangzhou Target Group's properties as at 31 March 2018 and the text of the valuation certificates of these property interests prepared by BMI Appraisals, please see Appendix IX to this circular.

The following table sets forth the reconciliation of the Hangzhou Target Group's properties from the consolidated financial statement as of 31 December 2017 to property valuation as at 31 March 2018:

	(RMB'000)
Net book value of the properties as at 31 December 2017 *(Note)*	1,940,606
Less: decrease during the period from 31 December 2017 to 31 March 2018	3,700
Net book value of the properties as at 31 March 2018	1,936,906
Revaluation loss	87,906
Valuation of properties as at 31 March 2018 as set out in the property valuation report set out in Appendix IX to this circular	1,849,000

Note: This comprises the net book value of the land and properties and the fair value of the investment properties held by Hangzhou Zhaorong, Hangzhou Honghui and Hangzhou Changhai extracted from the accountants' reports of the Hangzhou Target Group set out in Appendix V, having consolidated the results of their respective subsidiaries, as shown below:

	Net book value of the land and buildings as at 31 December 2017 *(RMB'000)*	**Fair value of investment properties as at 31 December 2017** *(RMB'000)*
Hangzhou Zhaorong	527,422	82,900
Hangzhou Honghui	900,089	1,620
Hangzhou Changhai	—	428,575

H. REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group is principally engaged in business operation of seven agricultural produce markets in six cities in the PRC namely Shouguang, Guiyang, Harbin, Qiqihar, Mudanjiang and Shenyang, which are engaged in the wholesaling and retailing of primarily vegetables and also fruits, seafood, meat, grain and oil and other food produce.

Upgrading of the Markets

Following the 2015 Transaction, the Group wishes to upgrade and expand the infrastructure and facilities of the Markets by bringing in the ownership of land and properties where the Markets situate and integrating operations with land and properties.

Since the completion of the 2015 Transaction, the Group has been operating the Markets on the land and properties owned by the PRC Landlord Entities. During the course of such time, the Group, as a tenant, faced obstacles in the business expansion of the Markets which had hindered the potential growth of the Markets. As a tenant of the land and properties of the Markets, the Group often faces restrictions and limitations in its plan for physical expansion and capital investment, such as upgrading of infrastructure and facilities and expanding storage spaces for the Markets. Maintenance needs and upgrades on the infrastructure and facilities require consent from the landlords and budgeting negotiations. As a result, this reduced the efficiency of operations and the implementation of development plans for the Markets. It was also not commercially beneficial for the Group to heavily invest in the infrastructure even with consents from the landlords since the capital investment on the enhanced infrastructure would ultimately vest with the landlords and not the Group. Therefore, by consolidating the land and properties with the operations and assuming the "landlord" role, the Enlarged Group will be able to make further investment into both the hardware and software of the Markets for the benefits of the operations of the Markets as a whole.

Expansion in geographical reach and market presence

The Hangzhou Acquisition will extend the Company's geographical reach to Hangzhou in the PRC where the Company does not currently have a geographical presence. Upon completion of the Hangzhou Acquisition, the Enlarged Group will also be able to establish its market presence in Hangzhou.

No material impact on cashflow

The Hada Consideration is an interest-free convertible bond and that the completion of the Hada Acquisition will be conditional on the settlement of all accounts receivables and payables and bank borrowings of the Hada Target Group. As such, the Hada Acquisition is not expected to cause a material impact to the cash flow of the Company post the Hada Completion. For the Hangzhou Acquisition, since the Hangzhou Acquisition is proposed to be financed by the proceeds from the Rights Issue, no material impact on the cash flow of the Company is expected.

Please also refer to the paragraph headed "N. Prospects of the Enlarged Group" in this section for further benefits of the Acquisitions.

In light of the above, the Directors (excluding all the independent non-executive Directors whose views are contained in the section headed "Letter From the Independent Board Committee" of this circular), and with interested Directors and their associate(s) abstaining, are of the view that the terms of the Acquisition Agreements are on normal commercial terms, in the ordinary course of business, and in the interests of the Group, the Company and the Shareholders as a whole.

I. DISCONTINUED CONNECTED TRANSACTIONS

Reference is made to the announcement dated 9 June 2015, the circular of the Company dated 29 June 2015 and the completion announcement dated 27 July 2015 in relation to the acquisition of the entire share capital of Yield Smart.

On 9 June 2015, New Amuse (as lessor) entered into the Framework Lease Agreement with Yield Smart (as lessee), pursuant to which Yield Smart procured the PRC Operating Companies to enter into certain leasing agreements with their relevant PRC Landlord Entities in respect of the leasing of properties (including land and buildings) in the PRC to facilitate the operation of the Markets by the PRC Operating Companies.

In connection with the acquisition of the operations of the Markets completed on 27 July 2015, Harbin Hada (as licensor) and Harbin Dili (as licensee), entered into the Trademark Licensing Agreement, pursuant to which the licensor granted to the licensee the right to use certain trademarks registered in the name of the licensor in the PRC for a term of 20 years at nil consideration.

As a result from the Hada Acquisition, the Framework Lease Agreement and all related leases entered into under the Framework Lease Agreement, and the Trademark Licensing Agreement will no longer be required and will be terminated upon Hada Completion. Accordingly, the continuing connected transactions associated with the Framework Lease Agreement and the Trademark Licensing Agreement will be discontinued.

J. IMPLICATIONS UNDER THE LISTING RULES

As some of the applicable percentage ratios (as defined under the Listing Rules) by aggregating the Hada Acquisition and Hangzhou Acquisition exceed 100%, the Acquisitions constitute a very substantial acquisition for the Company under the Listing Rules.

In addition, as New Amuse is a substantial shareholder of the Company and indirectly wholly-owned by Ms. Zhang, a non-executive Director, New Amuse is a connected person of the Company under the Listing Rules. Accordingly, the Hada Acquisition and transactions contemplated thereunder also constitute a connected transaction of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Hangzhou Acquisition and the Hada Acquisition were negotiated at around the same time, for enhanced corporate governance, the Company accepts to treat the Hangzhou Acquisition as a connected transaction on a voluntary basis. The Hangzhou Acquisition will be put forward to the EGM for Independent Shareholders' approval.

Based on the above, Mr. Dai and his associates, and New Amuse, will abstain from voting on the resolution(s) approving the Acquisitions at the EGM.

K. SPECIFIC MANDATE TO INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK$800,000,000 divided into 80,000,000,000 Shares, of which 43,966,100,439 were in issue and fully paid. The Board proposes to seek a Specific Mandate from the Shareholders at the EGM to increase the existing authorised share capital to HK$1,500,000,000 divided into 150,000,000,000 Shares by the creation of an additional 70,000,000,000 Shares of HK$0.01 each, which will rank *pari passu* with all existing Shares.

L. SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER THE COMPLETION OF ACQUISITIONS AND THE DILUTION EFFECT TO THE EXISTING SHAREHOLDERS

In light of the Rights Issue which will be conducted prior to the completion of the Acquisitions, the details on the shareholding structure of the Company as at the date of this circular and immediately following the Rights Issue and the issue of the Conversion Shares in connection with the Hada Acquisition are set out as follows (assuming that there would be no other change(s) to the share capital of the Company between the date of this circular and completions of the Rights Issue and of the Acquisitions):

	As at the date of this circular		Immediately after the Rights Issue				Immediately after the Rights Issue, the completion of the Acquisitions and full conversion of the Convertible Bond (for illustrative purpose only)			
			Assuming 0% taken up by the Qualifying Shareholders other than the Undertaking Shareholders		Assuming 100% taken up by the Qualifying Shareholders		Assuming 0% taken up by the Qualifying Shareholders other than the Undertaking Shareholders at the Rights Issue[5]		Assuming 100% taken up by the Qualifying Shareholders at the Rights Issue[6]	
	No. of Shares	*Approximate % of the total issued Shares*	*No. of Shares*	*Approximate % of the total issued Shares*	*No. of Shares*	*Approximate % of the total issued Shares*	*No. of Shares*	*Approximate % of the total issued Shares*	*No. of Shares*	*Approximate % of the total issued Shares*
Super Brilliant[1]	15,383,738,082	34.99	26,425,278,866	46.23	19,998,859,506	34.99	26,425,278,866	27.22	19,998,859,506	20.60
Gloss Season[1]	122,400,000	0.28	159,120,000	0.28	159,120,000	0.28	159,120,000	0.16	159,120,000	0.16
Wealthy Aim[1]	640,762,050	1.46	832,990,665	1.46	832,990,665	1.46	832,990,665	0.86	832,990,665	0.86
Mr. Dai[2]	153,900,000	0.35	200,070,000	0.35	200,070,000	0.35	200,070,000	0.21	200,070,000	0.21
New Amuse[3]	6,243,902,439	14.20	8,117,073,170	14.20	8,117,073,170	14.20	48,031,332,170	49.48	48,031,332,170	49.48
Dai Family Group (being Super Brilliant, Gloss Season, Wealthy Aim, Mr. Dai and New Amuse)	**22,544,702,571**	**51.28**	**35,734,532,701**	**62.52**	**29,308,113,341**	**51.28**	**75,648,791,701**	**77.93**	**69,222,372,341**	**71.31**
Directors (excluding Mr. Dai and Ms. Zhang)	85,325,000	0.19	85,325,000	0.15	110,922,500	0.19	85,325,000	0.09	110,922,500	0.11
Independent investors[4]	6,000,000,000	13.65	6,000,000,000	10.50	7,800,000,000	13.65	6,000,000,000	6.18	7,800,000,000	8.04
Other public Shareholders	15,336,072,868	34.88	15,336,072,868	26.83	19,936,894,728	34.88	15,336,072,868	15.80	19,936,894,728	20.54
Total	43,966,100,439	100.00	57,155,930,569	100.00	57,155,930,569	100.00	97,070,189,569	100.00	97,070,189,569	100.00

Notes:

(1) Super Brilliant, Wealthy Aim and Gloss Season are wholly-owned by Mr. Dai.

(2) Mr. Dai is personally interested in 153,900,000 Shares, together with his interest through Super Brilliant, Gloss Season Limited and Wealthy Aim, Mr. Dai is interested in (directly and indirectly) 16,300,800,132 Shares in aggregate, amounting to approximately 37.08% of the total issued shares of the Company as at the date of this circular.

(3) New Amuse is wholly-owned by Ms. Zhang, the spouse of Mr. Dai.

(4) The independent investors are corporate investors and investment funds, which are Independent Third Parties. Prior to a restructuring exercise of New Amuse and its ultimate shareholders ("**New Amuse Restructuring**"), the independent investors were the ultimate shareholders of New Amuse. In the New Amuse Restructuring, New Amuse transferred to the independent investors 6,000,000,000 Shares in aggregate, amounting to approximately 13.65% of the total issued Shares and as a result, New Amuse itself is interested in 6,243,902,439 Shares in aggregate, amounting to approximately 14.20% of the total issued Shares.

(5) This scenario is set out for illustrative purpose only. The conversion rights of New Amuse under the Convertible Bond are subject to, inter alia, the Company complying the minimum public float requirement under the Listing Rules and that no general offer obligation is triggered or such obligation is otherwise waived by the SFC. Hence, only partial conversion rights may be exercised in practice upon completion of the Hada Acquisition and the Rights Issue.

(6) This scenario is set out for illustrative purpose only. In practice, New Amuse is bound by the conversion conditions under the terms of the Convertible Bond and may only partially convert the Convertible Bond into such number of conversion shares that no general offer obligation is triggered, beyond which, it may not convert any further without first obtaining a waiver from the SFC.

Any discrepancies in the above table between totals and sums of figures are due to rounding.

M. FINANCIAL EFFECT OF THE ACQUISITIONS

Upon completion of the Acquisitions, the Hada Target Group and the Hangzhou Target Group will become wholly-owned subsidiaries of the Company and the financial results of the Hada Target Group and the Hangzhou Target Group will be consolidated into the accounts of the Group. Please refer to Appendix VI to this circular for more information on the basis of preparation of the unaudited pro forma consolidated financial information of the Enlarged Group.

Earnings

As set out in the Accountants' Reports on historical financial information of the Hada Target Group and Hangzhou Target Group in Appendices IV and V to this circular, the revenue and net loss after taxation of the Hada Target Group and Hangzhou Target Group combined for the year ended 31 December 2017 were approximately RMB1.3 billion and approximately RMB97.8 million, respectively.

Assets and Liabilities

Based on the unaudited pro forma financial information as set out in Appendix VI to this circular, assuming that the Hada Completion and Hangzhou Completion had taken place on 31 December 2017, the total assets of the Group would have increased from approximately RMB8.8 billion to approximately RMB19.7 billion on a pro forma basis, the total liabilities of the Enlarged Group would have increased from approximately RMB1.9 billion to approximately RMB7.6 billion on a pro forma basis, the net assets of the Enlarged Group would have increased from RMB6.9 billion to RMB12.0 billion.

N. PROSPECTS OF THE ENLARGED GROUP

The Hada Acquisition will enable the Company to achieve a potential expansion in space, scale and upgrading of the Markets, which can only be achieved by the Company as a landlord in both the hardware and software of the Markets. Furthermore, by investing and upgrading in these land and properties, the Company can potentially generate more commission income and rental income from the lease of space in the Markets and higher commission income from the enhanced operations. The Hada Acquisition is expected to bring in the benefits of integration of land and properties with operating companies of the Markets to Shareholders. The Hangzhou Acquisition will allow the Enlarged Group to grow its agricultural market business and expand its geographical reach to Hangzhou in the PRC where the Group does not currently have a market presence.

In the first policy statement released by the PRC Government in 2018, a new policy on agriculture industry emphasised on "rural revitalization strategy" was proposed as one of the major aspects in developing a modernized economy. During the National People's Congress of the PRC and the Chinese People's Political Consultative Conference held in March 2018, the theme "rural revitalization strategy" was further emphasised and discussed widely including the modernisation of rural economy and improving the competitiveness of the agriculture industry. With the support from the PRC Government, the Board believes that the agriculture industry overall and any ancillary industries will become a hotspot for investments in the near and medium term. Given the Group's long history and experience in the operation of agriculture wholesale markets, the Board believes that agriculture wholesale markets will continue to play an important role in the value chain of the agriculture industry in China and therefore present good opportunities for the Group.

O. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Fan Ren-Da, Anthony, Mr. Wang Shengli, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders on matters in relation to the Acquisitions.

The Company has, with the approval of the Independent Board Committee, appointed Grand Moore as the independent financial adviser in accordance with the requirements under the Listing Rules to advise the Independent Board Committee on matters in relation to the Acquisitions.

P. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Q. EGM

A notice of the EGM to be held at 3:00 p.m., on Friday, 20 July 2018 is set out on pages EGM-1 of this circular for the purpose of considering and for the Independent Shareholders, if thought fit, to approve, among others, (i) the Hada Acquisition Agreement and transactions contemplated thereunder and the proposed grant of the Specific Mandate, and (ii) the Hangzhou Acquisition Agreement and the transactions contemplated thereunder; and for the Shareholders to consider, and, if thought fit, to approve, the proposed increase in authorised share capital of the Company.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire and, in such event, the instrument appointing a proxy will be deemed to be revoked.

In order to determine the list of shareholders who will be entitled to attend and vote at the EGM, the register of members of the Company will be closed for registration of transfer of Shares from 18 July 2018 to 20 July 2018 (both days inclusive) during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on 20 July 2018 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify for attending and voting at the EGM, all transfer documents, accompanied by the relevant Share certificates, should be lodged for registration with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong on or before 4:30 p.m., 17 July 2018.

R. VOTING AT THE EGM AND THE BOARD MEETINGS

Mr. Dai (the Controlling Shareholder and the spouse of Ms. Zhang) and his associates and New Amuse will abstain, and any person who has a material interest in the Hada Acquisition, the proposed grant of the Specific Mandate and the Hangzhou Acquisition is required to abstain, from voting on the relevant resolutions for approving the Acquisitions at the EGM.

Voting at the EGM will be conducted by poll.

None of the Directors (other than Mr. Dai, Ms. Zhang, Mr. Dai Bin, the son of Mr. Dai and Ms. Zhang, and Mrs. Hawken) was in any way materially interested in the Hada Acquisition and the proposed grant of Specific Mandate and accordingly, none of the Directors (other than Mr. Dai, Ms. Zhang, Mr. Dai Bin and Mrs. Hawken who have abstained) abstained from voting on the relevant Board resolution(s) in the Board meeting. None of the Directors was in any way materially interested in the Hangzhou Acquisition and none of the Directors (other than Mr. Dai, Ms. Zhang, Mr. Dai Bin and Mrs. Hawken who have voluntarily abstained) have abstained from voting on the relevant Board resolution(s) in the Board meeting.

S. RECOMMENDATIONS

The Independent Board Committee, having considered the terms and conditions of (i) the Hada Acquisition Agreement (including the Convertible Bond) and the transactions contemplated thereunder and the proposed grant of the Specific Mandate; and (ii) the Hangzhou Acquisition Agreement and the transactions contemplated thereunder and after taking into account the advice from the Independent Financial Adviser, considers that the Acquisitions are fair and reasonable, on normal commercial terms or better, and are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

The Directors accordingly recommends that the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Hada Acquisition (including the Convertible Bond), the Specific Mandate and the Hangzhou Acquisition.

The text of the letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on pages 39 to 40 of this circular.

The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders with regard to the Hada Acquisition (including the Convertible Bond), the Specific Mandate and the Hangzhou Acquisition and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on pages 41 to 81 of this circular.

T. FURTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular, which contain further information on the Group, the Hada Target Group, the Hangzhou Target Group and the Enlarged Group and other information required to be disclosed under the Listing Rules.

U. WARNING

The Acquisitions are subject to a number of conditions including approvals by the Shareholders at the EGM and the approval from the Stock Exchange, which may or may not be fulfilled. In the event that any of the conditions to the completion of the Acquisitions is not fulfilled, the Acquisition Agreements will not become unconditional and the Acquisitions will not proceed.

SHAREHOLDERS OF THE COMPANY AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR OTHER SECURITIES (IF ANY) OF THE COMPANY.

Yours faithfully,
For and on behalf of the Board of
Renhe Commercial Holdings Company Limited
Dai Yongge
Chairman

Renhe Commercial Holdings Company Limited
人和商業控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1387)

29 June 2018

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION;
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(3) PROPOSED GRANT OF SPECIFIC MANDATE FOR THE CONVERSION SHARES;
AND
(4) NOTICE OF EGM

We refer to the circular dated 29 June 2018 issued by the Company of which this letter forms part of (the "**Circular**"). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been authorized by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders in respect of the Acquisitions and the transactions contemplated thereunder, details of which are set out in the section headed "Letter from the Board" contained in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 10 to 38 of the Circular and the letter of advice from Grand Moore, the independent financial adviser appointed to advise the Independent Board Committee on the terms of the Acquisitions set out on pages 41 to 81 of the Circular.

* *For identification purposes only*

Having considered, among other matters, the factors and reasons considered by, and the opinion of Grand Moore as stated in its letter of advice, we consider that the terms and conditions of the Hada Acquisition Agreement (including the Convertible Bond) and transactions contemplated thereunder and the proposed grant of the Specific Mandate; and (ii) the Hangzhou Acquisition Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution(s) to be proposed at the EGM in respect of the Acquisitions.

Yours faithfully,
for and on behalf of the
Independent Board Committee
Renhe Commercial Holdings Limited
Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu
Leung Chung Ki
Tang Hon Man
Independent non-executive Directors

The following is the full text of the letter of advice to the Independent Board Committee from the Independent Financial Adviser dated 29 June 2018 prepared for the purpose of incorporation in this circular.

中毅資本有限公司
Grand Moore Capital Limited

Unit 1607, 16/F, Silvercord Tower 1,
30 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

29 June 2018

To the Independent Board Committee and
the Independent Shareholders of
Renhe Commercial Holdings Company Limited

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Hada Acquisition (including the issue of the Convertible Bond) and the Hangzhou Acquisition (collectively the "**Transactions**"), the particulars of which have been set out in a circular to the Shareholders dated 29 June 2018 (the "**Circular**") and in which this letter is reproduced. Unless the context requires otherwise, terms used in this letter shall have the same meanings as given to them in the Circular.

Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to (i) give our recommendation as to whether the terms of the Transactions are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms; (ii) give our recommendations as to whether the Transactions are in the interest of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders on how to vote at the EGM. Details of the reasons for entering into the Transactions are set out in the section headed "Letter from the Board" in the Circular (the "**Board Letter**").

On 5 June 2018 and after trading hours, Yield Smart (a wholly-owned subsidiary of the Company) entered into the Hada Acquisition Agreement with New Amuse under which it conditionally agreed to acquire and New Amuse conditionally agreed to sell the entire issued share capital of the Hada Target Company. The Hada Target Group holds the land and properties on which the Markets of the Group operate. The consideration for the Hada Acquisition is RMB5.4 billion (equivalent to approximately HK$6.5 billion), which shall be satisfied by the issuance of the Convertible Bond by the Company. Furthermore, on 5 June 2018 and after trading hours, Yield Smart entered into the Hangzhou Acquisition Agreement with the Hangzhou Vendor under which it conditionally agreed to acquire and the Hangzhou

Vendor conditionally agreed to sell the entire issued share capital of the Hangzhou Target Company. The consideration for the Hangzhou Acquisition is HK$1.47 billion (equivalent to approximately RMB1.223 billion), which shall be satisfied by cash.

As some of the applicable percentage ratios (as defined under the Listing Rules) by aggregating the Hada Acquisition and Hangzhou Acquisition exceed 100%, the Acquisitions constitute a very substantial acquisition for the Company under the Listing Rules.

In addition, as New Amuse is a substantial shareholder of the Company and indirectly wholly-owned by Ms. Zhang, a non-executive Director, New Amuse is a connected person of the Company under the Listing Rules. Accordingly, the Hada Acquisition and transactions contemplated thereunder also constitute a connected transaction of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Hangzhou Acquisition and the Hada Acquisition were negotiated at around the same time, for enhanced corporate governance, the Company accepts to treat the Hangzhou Acquisition as a connected transaction on a voluntary basis. The Hangzhou Acquisition will be put forward to the EGM for Independent Shareholders' approval.

Mr. Dai and his associates, and New Amuse, will abstain from voting on the resolution(s) approving the Acquisitions at the EGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates and accordingly, are considered suitable to given independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Transactions. In the last two years, we have not acted as any financial adviser role to the Company. Apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Transactions.

BASIS OF ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company including the Business Valuation Report (as defined below). We have assumed that all information and representations that have been provided by the Directors and the management of the Company, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the management of the Company (where applicable), which have been provided to us. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied to us and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Chapter 14A of the Listing Rules.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company and the Business Valuation Report (as defined below), nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, the Hada Target Group, the Hangzhou Target Group, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Acquisitions, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisitions. The Company has been separately advised by its own professional advisers with respect to the Acquisitions and the preparation of the Circular (other than this letter).

We have assumed that the Acquisitions will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Acquisitions, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Acquisitions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the Transactions, we have taken into consideration the following factors:

1. Background information on the Group

As stated in the Board Letter, the Company and its subsidiaries are principally engaged in business operations of seven agricultural produce markets in six cities in the PRC namely Shouguang, Guiyang, Harbin, Qiqihar, Mudanjiang and Shenyang. The Markets are engaged in the wholesaling and distribution of primarily vegetables and also fruits, seafood, meat, grain and oil and other food produce. Certain summary financial information of the Group as extracted from the Company's latest published financial statements, i.e. its annual report for the year ended 31 December 2017 (the "**Annual Report**") is set out below.

	Year ended 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
	(audited)	(audited)
Revenue (continuing operation)	988,112	1,001,765
(Loss) attributable to equity shareholders of the Company	(127,050)	(14,583,909)

	As at 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
	(audited)	(audited)
Total assets	8,808,396	10,490,669
Total liabilities	1,871,518	3,525,483
Net assets attributable to equity shareholders of the Company	6,936,878	6,965,186

During the year ended 31 December 2017, the Company recorded consolidated revenue of approximately RMB988,112,000, representing an approximately 1.4% decrease over the consolidated revenue of approximately RMB1,001,765,000 generated in the year ended 31 December 2016. Furthermore, the Company recorded consolidated loss attributable to equity shareholders of the Company of approximately RMB127,050,000 for the year ended 31 December 2017 compared with consolidated loss attributable to equity shareholders of the Company of approximately RMB14,583,909,000 for the year ended 31 December 2016. As per note 20 to the financial statements set out in the Annual Report, the substantial losses incurred during the year ended 31 December 2016 was mainly the result of loss from discontinued operation in the amount of approximately RMB14,513,350,000 which arose out of the disposal of the Company's shopping mall segment which was completed in July 2016.

As at 31 December 2017, the Company had consolidated total assets, total liabilities and net assets attributable to equity shareholders of the Company of approximately RMB8,808,396,000, RMB1,871,518,000 and RMB6,936,878,000 respectively.

Reference is made to the Company's circular (the "**2015 Circular**") dated 29 June 2015 issued in connection with (i) the 2015 Transaction in relation to the acquisition of the underlying business operations of the Markets which constituted a very substantial acquisition and connected transaction for the Company; and (ii) continuing connected transaction in relation to the Framework Lease Agreement. Under the 2015 Transaction, the Company has acquired principally the PRC Operating Companies which undertake the business operations of the Markets from New Amuse, at a consideration of HK$6.5 billion. The 2015 Transaction was completed on 27 July 2015 as per the Company's announcement of the same date and the Company has been undertaking the business operations of the Markets since then. Under the existing business model as at the Latest Practicable Date, the Group operates the Markets through the PRC Operating Companies of the Group on land and properties which are currently leased from the substantial shareholder of the Company, New Amuse, by way of the Framework Lease Agreement. New Amuse owns such land and properties indirectly through the PRC Landlord Entities. For reasons and benefits of the Acquisitions, please refer to section 4 of this letter below.

2. Background information of the Hada Target Group and Hangzhou Target Group

2.1 Information of the Hada Target Group

As per the Board Letter, the Hada Target Group comprises nine PRC Landlord Entities which together hold the land and properties for the operation of the seven Markets. Set out below is the nature and details of the land and properties held by the Hada Target Group:

Market	Location	Approximate GFA *(sq.m.)*	Approximate site area *(sq.m.)*	Nature of land use
China Shouguang Agricultural Produce Logistics Park	Shouguang City, Shandong province	550,000	1,120,000	Wholesale, retail and storage
Harbin Hada Agricultural Produce Market	Harbin City, Heilongjiang province	220,000	130,000	Commercial, storage and office, etc.

Market	Location	Approximate GFA (sq.m.)	Approximate site area (sq.m.)	Nature of land use
Shenyang Shouguang Dili Agricultural By-Products Markets	Shenyang City, Liaoning province	270,000	210,000	Wholesale, retail and storage
Qiqihar Hada Agricultural Produce Market	Qiqihar City, Heilongjiang province	40,000	70,000	Public services, storage and office
Harbin Youyi Agricultural Produce Market	Harbin City, Heilongjiang province	10,000	3,000	Commercial and storage
Muda International Agricultural Produce Logistics Park	Mudanjiang City, Heilongjiang province	170,000	170,000	Wholesale, retail and storage
Guiyang Agricultural Produce Logistics Park	Guiyang City, Guizhou province	190,000	170,000	Commercial, market and storage

Set out below are selected consolidated financial information of the Hada Target Group as extracted from Appendix IV titled "Accountants' Report on the Hada Target Group" in the Circular.

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Revenue	539,606	102,852	99,523
Profit/(loss) after taxation	66,666	(238,979)	(53,635)

As at 31 December 2017, the Hada Target Group had consolidated total assets, total liabilities and net liabilities of approximately RMB20,211,966,000, RMB22,846,499,000 and RMB2,634,533,000 respectively.

In connection with the historical loss-making position of the Hada Target Group, we have made reference to the 2015 Circular. In particular, we note from page 85 of the 2015 Circular that the Company's then independent financial adviser has made the observation that: "*JLL (i.e. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the then valuer) considered that the level of the annual rent as stipulated in the Framework Lease Agreement was below the fair market rental. In fact, the fair market rental during the term of the Framework Lease Agreement, on an annual basis, represent a range of 6.7 times to 11.3 times of the corresponding annual rent as stipulated in the Framework Lease Agreement.*" Given that the Framework Lease Agreement was entered into between New Amuse (as lessor) and Yield Smart (as lessee) with the land and properties for the Markets being held by the PRC Landlord Entities which are within the Hada Target Group, it follows that the favourable rental arrangement (to Yield Smart) under the Framework Lease Agreement has resulted in the Hada Target Group receiving rental income that is substantially less than what the market would have otherwise commanded. Accordingly, we are of the view that the historical financial results of the Hada Target Group presented above are not representative of the actual performance of the Hada Target Group had it been able to charge market rental income as its main revenue source.

In respect of the net liabilities position of the Hada Target Group in the amount of RMB2,634,533,000 as at 31 December 2017, we note from the Board Letter that accounts receivables from and payables to New Amuse and its associates will be settled by way of loan capitalization and bank borrowings of the Hada Target Group will also be settled prior to Hada Completion, and it is expected that the Hada Target Group will have a net asset position immediately prior to Hada Completion and its net asset value is expected to be approximately RMB824 million (equivalent to approximately HK$993 million) (the "**Expected Hada NAV**") immediately prior to the Hada Completion.

Please refer to the section headed "Management's discussion and analysis of financial condition and results of operations of the Hada Target Group" in Appendix II to the Circular for further discussion on the financial information of the Hangzhou Target Group.

2.2 Information on the Hangzhou Target Group

It is stated in the Board Letter that the Hangzhou Target Group comprises the Hangzhou Target Company, Huge Surplus, Hangzhou Zhaorong, Hangzhou Honghui and their subsidiaries and associate. The Hangzhou Target Group holds and controls:

(i) the entire equity interest in Hangzhou Zhaorong, which in turn holds 80% equity interest in Hangzhou Fruit-products, which holds 100% in Hangzhou Fruit-wholesale, 52% in Pinghu Dongxing which in turn holds 47.99% in Pinghu Agricultural Wholesale and 55.91% in Hangzhou Jiaqu, which in turn holds 35.77% in Hangzhou Changhai. Hangzhou Fruit-wholesale operates a fruit market in Hangzhou, the PRC and Pinghu Agricultural Wholesale operates an agricultural produce and food market in Pinghu City, the PRC; and

(ii) the entire equity interest in Hangzhou Honghui which in turn holds and controls 100% equity interest in Hangzhou Vegetable and Hangzhou Vegetable Logistics, which operate a vegetable market in Hangzhou, the PRC; 42.09% in Hangzhou Jiaqu; 65% in Shanghai Tongyuan and 64.23% (of which 1.88% is held through Shanghai Tongyuan) in Hangzhou Changhai, which operates a seafood market in Hangzhou, the PRC; 35% in Hangzhou Owl which is held by Hangzhou Changhai; and 100% in Hangzhou Dili.

It is noted that Appendix V to the Circular has set out the accountants' reports on the individual companies comprising the Hangzhou Target Group. As no combined or consolidated financials of the Hangzhou Target Group are presented in Appendix V to the Circular, we have extracted from the Board Letter the following selected financial information of the Hangzhou Target Group which is based on the combined audited accounts of the Hangzhou Target Group for the two years ended 31 December 2017.

	Year ended 31 December	
	2016	**2017**
	RMB'000	*RMB'000*
	(audited)	(audited)
Net profits before taxation	46,852	119,225
Net profits after taxation	9,164	84,328

The combined net asset value of Hangzhou Changhai, Hangzhou Honghui and Hangzhou Zhaorong as at 31 December 2017 was approximately RMB1,098,569,000. The property valuation by the Independent Professional Property Valuer of the land and properties of the Hangzhou Target Group as at 31 March 2018 is approximately RMB1.8 billion (equivalent to approximately HK$2.2 billion). As per the reconciliation statement set out in the section headed "G. Reconciliation of the valuation of properties" in the Board Letter, the Hangzhou Target Group is expected to record a revaluation loss of approximately RMB87,906,000 as a result of the aforementioned property valuation on the land and properties held by the Hangzhou Target Group. Based on such revaluation loss, we have arrived at an adjusted combined net asset value of the Hangzhou Target Group (the "**Hangzhou Adjusted NAV**") of approximately RMB1,010,663,000 which in our opinion better reflects the underlying value of the Hangzhou Target Group within the context of the Hangzhou Acquisition.

Please refer to the section headed ''Management's discussion and analysis of financial condition and results of operations of the Hangzhou Target Group'' in Appendix III to the Circular for further discussion on the financial information of the Hangzhou Target Group.

2.3 The business valuations on Hada Target Group and Hangzhou Target Group

Reference is made to the business valuation report (the ''**Business Valuation Report**'') on 100% equity interests in the Hada Target Group and the PRC Operating Subsidiaries (i.e. inclusive of both the underlying land and property assets (the Markets held by the PRC Landlord Entities) and the business operated by the PRC Operating Entities previously purchased by the Group in the 2015 Transaction) and the Hangzhou Target Group as compiled by BMI Appraisals as set out in Appendix VII to the Circular. As per the Business Valuation Report, BMI Appraisals has adopted the market approach as it was considered ''*to be the most appropriate valuation approach in the valuation, as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.*'' The Business Valuation Report further explains that the EV/EBITDA multiple has been adopted for the guideline company method under the market approach ''*since it excludes depreciation and amortization and includes the short-term and long-term debts in calculation.''* It is noted that after arriving at the EV of the Hada Target Group and the Hangzhou Target Group based on the EV/EBITDA multiple, BMI Appraisals has arrived at the ''equity value'' of the respective companies using the following formula based on the definition of EV:

EV = **equity value** + value of preferred equity + value of debt + minority interest – cash

In view that the above formula is the standard definition of EV and that the Business Valuation Report is compiled pursuant to the applicable valuation standard, we consider the adding back of the PRC Operating Companies' cash of approximately RMB691.2 million (equivalent to approximately HK$832.8 million and which the Group already owns) as stated on page VII-21 of the Business Valuation Report to compute the ''equity value'' as part of the steps to arrive at the final valuation of the business and operations plus ownership of land and properties of the Markets is fair and reasonable.

With regards to the Business Valuation Report, we have complied with the requirements under note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct and conducted, amongst others, the following works: (i) discuss with the staff of BMI Appraisals regarding the methodology used and principal bases and assumptions adopted in the Business Valuation Report; (ii) assess the experience and expertise of the signatory of the Business Valuation Report; (iii) inquire on any current or prior relationship between BMI Appraisals and the Company, the Vendors and their core connected persons; (iv) review BMI Appraisals' engagement letter in respect of the Business Valuation Report; and (v) obtain information on BMI Appraisals' past track record on other business valuations. Based on the aforementioned works, we are of the view that (i) the valuation methodologies and the principal bases and assumptions adopted by BMI Appraisals are fair and reasonable; (ii) the scope of work of BMI Appraisals is appropriate; and (iii) BMI Appraisals and the signatory of the Business Valuation Report together have sufficient qualification, experience and expertise, and are competent to provide the Business Valuation Report.

As per the Business Valuation Report, the market values as at 28 February 2018 in: (i) the Hada Target Group and the PRC Operating Subsidiaries (i.e. inclusive of both the underlying land and property assets (the Markets held by the PRC Landlord Entities) and the business operated by the PRC Operating Entities previously purchased by the Group in the 2015 Transaction) were RMB12,000,000,000 (the "**Hada and PRC Operating Entities Business Valuation**"); and (ii) the Hangzhou Target Group were RMB1,900,000,000 (the "**Hangzhou Business Valuation**").

3. Overview of the agricultural sector in the PRC

3.1 Regulatory overview

Modernization of the Chinese agriculture sector has been an enduring theme throughout the PRC for the past decade. The "three rural issues", namely issues relating to agriculture, rural areas and rural people remained as the fundamental task to be addressed by the PRC Government. The 13th Five-Year Plan released by the Chinese State Council in 2016 set goals for agricultural modernization by 2020, and the PRC has been undergoing numerous reforms since then to improve the quality, profitability and safety of the sector, including but not limited to the implementation of additional subsidy regimes for low income farmers, promoting the integration of agriculture and e-commerce and supporting seed technology R&D and quality control.

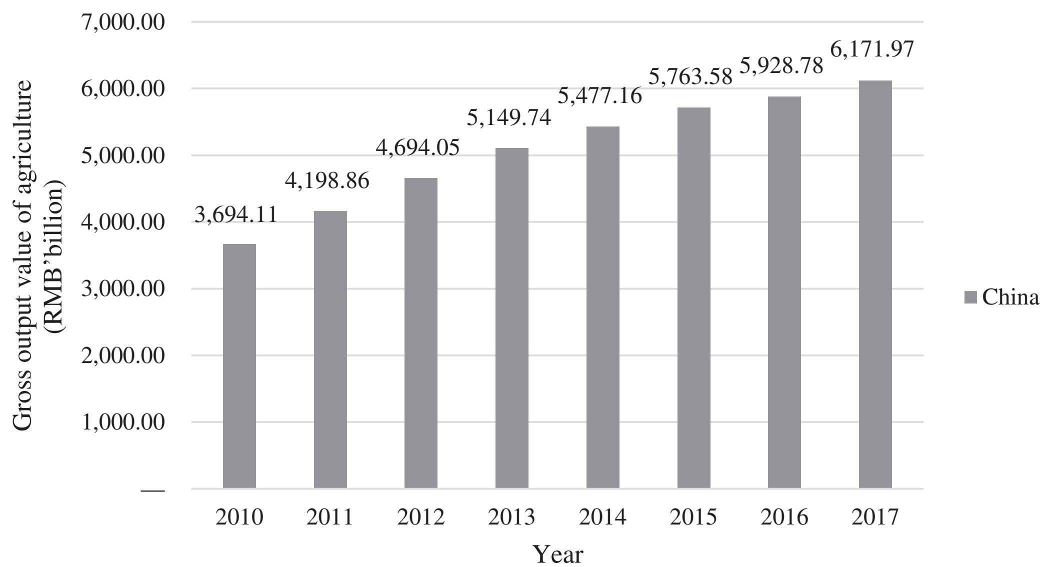
The first policy statement released by the PRC Government in 2018 continues to focus on agricultural and rural issues and sets rural revitalization as top priority for the PRC in the coming years. The PRC Government aims to foster rural revitalization through improving grain productivity, promoting agricultural trade and facilitating the construction of futures and options markets for agricultural commodities. Major policy measures include, among others, strengthening domestic support to farmers to promote intensive and value-added productivity growth and building connections with Belt and Road trading partners to increase agricultural trade volume. The agricultural industry and ancillary industries such as markets for agricultural products are expected to achieve prosperity under the favorable policy in place for rural revitalization.

3.2 Market overview

Upon the completion of Hada Acquisition and Hangzhou Acquisition, the Enlarged Group will operate a total of ten agricultural produce markets across the PRC, covering wide variety of agricultural produce including fruit, vegetable, grain and oil, seafood, meat and other agricultural food produce, locating at Shouguang, Shandong; Guiyang, Guizhou; Harbin, Mudanjiang and Qiqihar, Heilongjiang; Shenyang, Liaoning; and Hangzhou, Zhejiang.

The PRC agricultural industry has experienced a rapid growth in recent years under the continuous economic development and agricultural modernization in the PRC.

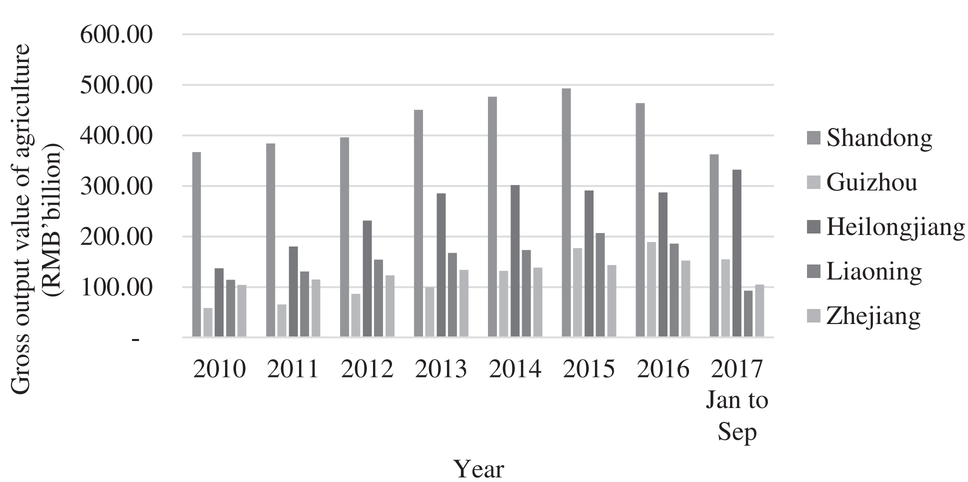
Gross output of agriculture in the PRC



Source: National Bureau of Statistics of China and http://www.chyxx.com/(中國產業信息網)

There has been a consistent upward trend in the gross output value of agriculture in the PRC since 2010, the gross output value of agriculture increased from approximately RMB3,694 billion in 2010 to RMB6,172 billion in 2017, representing a compound annual growth rate ("**CAGR**") of approximately 7.6% or an overall increase of approximately 67.1% over the period.

Gross output of agriculture in the PRC by Province



Source: National Bureau of Statistics of China and http://www.chyxx.com/(中國產業信息網)

The gross output value of agriculture in Shandong, Guizhou, Heilongjiang, Liaoning and Zhejiang Provinces of the PRC, where the Enlarged Group operates, has been rising steadily since 2010. The gross output value of agriculture of Shandong, Guizhou, Heilongjiang, Liaoning and Zhejiang Provinces increased from approximately RMB367 billion, RMB59 billion, RMB137 billion, RMB114 billion and RMB104 billion in 2010 to RMB464 billion, RMB189 billion, RMB287 billion, RMB186 billion and RMB152 billion in 2016, representing a CAGR of approximately 4.0%, 21.4%, 13.1%, 8.5% and 6.5%, respectively or an overall increase of approximately 26.4%, 220.3%, 109.5%, 63.2% and 46.2%, respectively over the period.

The gradual upward trend in the output value of agriculture of the PRC is expected to continue in the coming years, as a result of, among other things, the rising food demand due to the population growth, in particular, after the abolition of the one child policy in 2015 and the dietary change due to the increased disposable income per capita in the PRC. The population of the PRC grew from approximately 1.371 billion in 2015 to 1.379 billion in 2016, representing an increase of approximately 0.6% coupled with an increase in disposable income per capita (on an annual basis) from approximately RMB21,966 in 2015 to RMB23,821 in 2016, representing an increase of approximately 8.4%.

In light of the above, we believe that the agricultural outlook of the PRC would remain positive in the coming years, which would in turn support the business and financial performance of the Enlarged Group in the future.

4. Reasons for and benefits of the Acquisitions

Set out below are extracts from the relevant section of the Board Letter.

Upgrading of the Markets

Following the 2015 Transaction, the Group wishes to upgrade and expand the infrastructure and facilities of the Markets by bringing in the ownership of land and properties where the Markets situate and integrating operations with land and properties.

Since the completion of the 2015 Transaction, the Group has been operating the Markets on the land and properties owned by the PRC Landlord Entities. During the course of such time, the Group, as a tenant, faced obstacles in the business expansion of the Markets which had hindered the potential growth of the Markets. As a tenant of the land and properties of the Markets, the Group often faces restrictions and limitations in its plan for physical expansion and capital investment, such as upgrading of infrastructure and facilities and expanding storage spaces for the Markets. Maintenance needs and upgrades on the infrastructure and facilities require consent from the landlords and budgeting negotiations. As a result, this reduced the efficiency of operations and the implementation of development plans for the Markets. It was also not commercially beneficial for the Group to heavily invest in the infrastructure even with consents from the landlords since the capital investment on the enhanced infrastructure would ultimately vest with the landlords and not the Group. Therefore, by consolidating the land and properties with the operations and assuming the ''landlord'' role, the Enlarged Group will be able to make further investment into both the hardware and software of the Markets for the benefits of the operations of the Markets as a whole.

Expansion in geographical reach and market presence

The Hangzhou Acquisition will extend the Company's geographical reach to Hangzhou in the PRC where the Company does not currently have a geographical presence. Upon completion of the Hangzhou Acquisition, the Enlarged Group will also be able to establish its market presence in Hangzhou.

No material impact on cashflow

The Hada Consideration is an interest-free convertible bond and that the completion of the Hada Acquisition will be conditional on the settlement of all accounts receivable and payables and bank borrowings of the Hada Target Group. As such, the Hada Acquisition is not expected to cause a material impact to the cash flow of the Company post the Hada Completion. For the Hangzhou Acquisition, since the Hangzhou Acquisition is proposed to be financed by the proceeds from the Rights Issue, no material impact on the cash flow of the Company is expected.

We further note from the Announcement that in the first policy statement released by the PRC Government in 2018, a new policy on agriculture industry emphasized on ''rural revitalization strategy'' was proposed as one of the major aspects in developing a modernized economy. During the National People's Congress of the PRC and the Chinese People's Political Consultative Conference held in March 2018, the theme ''rural revitalization strategy'' was further emphasized and discussed widely including the modernization of rural economy and improving the competitiveness of the agriculture industry. With the support from the PRC Government, the Board believes that the agriculture industry overall and any ancillary industries will become a hotspot for investments in the near and medium term. Given the Group's long history and experience in the operation of agriculture wholesale markets, the Board believes that agriculture wholesale markets will continue to play an important role in the value chain of the agriculture industry in the PRC.

In light of the above, the Directors (excluding all the independent non-executive Directors whose views are contained in the section headed ''Letter from the Independent Board Committee'' of the Circular), and with interested Directors and their associate(s) abstaining, are of the view that the terms of the Acquisition Agreements are on normal commercial terms, in the ordinary course of business, and in the interests of the Group, the Company and the Shareholders as a whole.

As mentioned earlier in section 1 of this letter, the Group currently operates the Markets through the PRC Operating Companies of the Group on land and properties which are currently leased from the substantial shareholder of the Company, New

Amuse under the existing business model as at the Latest Practicable Date. New Amuse owns such land and properties indirectly through the PRC Landlord Entities so operations of the business of the Markets and ownership of the Markets are currently separated. Having considered the reasons for and benefits of the Acquisitions as stated above together with our analysis in this letter, we concur with the views of the Directors as set out above.

5. The Acquisitions

5.1 The Hada Acquisition

Date:	5 June 2018
Parties:	Yield Smart Limited, a wholly-owned subsidiary of the Company, as purchaser The Company New Amuse Limited, as vendor
Subject matter to be acquired:	the entire issued share capital of the Hada Target Company

New Amuse is a substantial shareholder of the Company and indirectly wholly-owned by Ms. Zhang, a non-executive Director of the Company and hence, it is a connected person of the Company.

Upon the Hada Completion, the Hada Target Company will become a wholly-owned subsidiary of the Enlarged Group and each Hada Target Group Company will become a subsidiary of the Enlarged Group and the financial results of the Hada Target Group will be consolidated into the accounts of the Enlarged Group.

Hada Consideration

The consideration payable by the Company to New Amuse pursuant to the Hada Acquisition Agreement is RMB5.4 billion (equivalent to approximately HK$6.5 billion), which shall be settled by the issuance of the Convertible Bond by the Company.

Basis of the Consideration

The Hada Consideration was determined after arm's length negotiations between the parties to the Hada Acquisition Agreement following due consideration of, without limitation, the following factors:

(a) the preliminary appraised value of the Markets of approximately RMB12.0 billion (equivalent to approximately HK$14.5 billion), pursuant to a preliminary business valuation by the Independent Professional Valuer adopting the market approach using comparable companies, the details of which are set out in Appendix VII to the Circular, and taking into account the combined EBITDA of the Hada Target Group and the PRC Operating Companies based on the advanced management accounts for the year ended 31 December 2017 of approximately RMB768 million (equivalent to approximately HK$925 million) and based on an EV/EBITDA multiple of 13.92, the enterprise value is adjusted to subtract total debt (excluding those to be settled before the Hada Completion being the settlement or loan capitalization of accounts receivables and payables to New Amuse and its associates and bank borrowings), preferred equity and minority interest and adding back cash and cash equivalent, and further adjusted by the discount for lack of marketability and control premium to derive the appraised value of approximately RMB12.0 billion (equivalent to approximately HK$14.5 billion), the details of which computation are explained in Appendix VII to the Circular;

(b) the intangible asset value and goodwill associated with the RPC Operating Companies previously acquired by the Company in the 2015 Transaction, being approximately RMB6.1 billion (equivalent to approximately HK$7.3 billion) as at 31 December 2017; and

(c) the preliminary land and property valuation of the Hada Target Group by the Independent Professional Valuer as at 31 March 2018, being approximately RMB6.9 billion (equivalent to approximately HK$8.3 billion) (assuming all leases under the Framework Lease Agreement had been terminated as at the date of valuation).

The Board Letter has stated that the Hada Consideration was determined taking into account the settlement or loan capitalization of accounts receivables (of approximately RMB16.4 billion (equivalent to approximately HK$19.8 billion)) from and payables (of approximately RMB5.2 billion (equivalent to approximately HK$6.3 billion)) to New Amuse and its associates and bank borrowings (of approximately RMB16.5 billion) equivalent to approximately HK$19.9 billion)) of the Hada Target Group before the Hada Completion. Upon settlement of such accounts receivables and bank borrowings and the loan capitalization (by allotment of new share(s) by the Hada Target Company) of the payables, it is expected that the Hada Target Group will have an Expected

Hada NAV of approximately RMB824 million (equivalent to approximately HK$993 million) immediately prior to the Hada Completion (which was calculated by adding the positive effect of such loan capitalization, being approximately RMB3,459 million of the amount due to New Amuse or its associates as at 31 December 2017 (equivalent to approximately HK$4,167 million) to the net liability of the Hada Target Group as at 31 December 2017 of approximately RMB2,635 million (equivalent to approximately HK$3,174 million)).

Furthermore, the preliminary property valuation has assumed all leases under the Framework Lease Agreement will be terminated upon the Hada Completion as no lease arrangement will be required after the integration of the Hada Target Group with the PRC Operating Companies and accordingly, the historical net loss position of the Hada Target Group has not been taken into account when determining the Hada Consideration.

5.1.1 Various benchmarks for the evaluation of the Hada Target Group

We note from the Board Letter that the Board has evaluated the Hada Target Group based on (i) the Hada Target Group Valuation; (ii) the RNAV; and (iii) the Alternative RNAV. In addition, we have also assessed a fourth Alternative Approach (as defined below). The following sections are discussions on these benchmarks for evaluation.

5.1.2 The Hada Target Group Valuation

The Directors consider that the valuation of the Hada Target Group shall be the Hada Target Group Valuation of RMB5.9 billion (equivalent to approximately HK$7.1 billion) as represented by the difference in amount between components (a) and (b) under the section headed "Basis of the Hada Consideration" in section 5.1 above. The reason for using such difference as one of the basis of the Hada Consideration is that the intangible asset value and goodwill was generated from the acquisition of the operating rights of the Markets in the 2015 Transaction and the Hada Consideration should reflect the incremental value attributable to the land and properties of the Hada Target Group to be acquired in the Hada Acquisition. Based on arm's length negotiation, the Hada Consideration as commercially agreed between the parties was arrived at by applying an approximately 8.5% discount to the Hada Target Group Valuation.

We have noted that subsequent to the determination of the Hada Target Group Valuation, the latest fair value of the component (b) is determined to be approximately RMB6.0 billion (equivalent to approximately HK$7.2 billion) as per the 2015 Deductible Assets (as defined below). Seeing this is an updated figure, we have adopted it to arrive at the final Hada Target Group valuation of RMB6.0 billion (equivalent to approximately HK$7.2 billion) (the "**Final Hada Target Group Valuation**") by deducting the 2015 Deductible Assets (as defined below) of approximately RMB6.0 billion (equivalent to approximately

HK$7.2 billion) from the Hada and PRC Operating Entities Business Valuation of RMB12.0 billion (equivalent to approximately HK$14.5 billion). The Hada Consideration represents an approximately 10.0% discount to such Final Hada Target Group Valuation. If we were to deduct the PRC Operating Companies' cash of approximately RMB691.2 million (equivalent to approximately HK$832.8 million and which the Group already owns) as stated on page VII-21 of the Business Valuation Report (an item which we have discussed in section 2.3 to this letter) from this Final Hada Target Group Valuation, we would arrive at an alternative figure of approximately RMB5.3 billion (equivalent to approximately HK$6.4 billion), a figure which is only marginally lower than the Hada Consideration.

Subsequent to the Announcement and in respect of component (b) under the section headed "Basis of the Hada Consideration" in section 5.1 above, the Company has obtained from the Independent Professional Valuer an appraised value of RMB5.6 billion (equivalent to approximately HK$6.7 billion) of the intangible asset value associated with the PRC Operating Companies previously acquired in the 2015 Transaction. Together with the goodwill of approximately RMB0.4 billion (equivalent to approximately HK$0.5 billion), the aggregate value of component (b) above is approximately RMB6.0 billion (equivalent to approximately HK$7.2 billion) (the "**2015 Deductible Assets**"), which predominantly comprises fair value and accordingly, could be regarded as a comparable value to component (a). The 2015 Transaction was an asset-light transaction due to the nature of the Markets and the subject matter of the then acquisition was mainly the operating rights of the Markets, which was acquired by the Company by way of assignment of business contracts. Other than the intangible asset and goodwill mentioned in component (b) under the section headed "Basis of the Hada Consideration" in section 5.1 above, the assets of the Markets acquired in the 2015 Transaction comprised only an immaterial cash balance of RMB6,000 (equivalent to approximately HK$7,200). Accordingly, given that there was no other material asset of the Markets acquired in the 2015 Transaction, no further deduction of asset value from the Hada consideration is made.

In relation to the computation of the Hada Target Group Valuation or the Final Hada Target Group Valuation, we note that the base figure is derived from the valuation of the Hada Target Group and the PRC Operating Subsidiaries as stated in the Business Valuation Report. Given that it has factored in the economic benefits derived from the 2015 Transaction, we consider that it is appropriate to deduct the 2015 Deductible Assets to arrive at the Hada Target Group Valuation or the Final Hada Target Group Valuation which demonstrate the "incremental value" to the Group attributable to the Hada Acquisition.

5.1.3 The RNAV

We note from the Board Letter that the RNAV of Hada Target Group immediately before the Hada Completion is expected to be approximately RMB6.8 billion (equivalent to approximately HK$8.2 billion), being the sum of (i) the Expected Hada NAV of approximately RMB824 million (equivalent to approximately HK$993 million) immediately prior to the Hada Completion after taking into account of the settlement of accounts receivables and capitalization of loans; and (ii) the gain on revaluation of the land and properties of the Hada Target Group of approximately RMB5.94 billion (equivalent to approximately HK$7.1 billion) (the "**Hada Revaluation Gain**") (being the preliminary land and properties valuation of the Hada Target Group as required by Rule 5.02 of the Listing Rules of approximately RMB6.9 billion (equivalent to approximately HK$8.3 billion), subtracting therefrom the book value of the land and properties of the Hada Target Group for the operations of the Markets held as investment properties as at 31 December 2017 of approximately RMB930 million (equivalent to approximately HK$1,120 million)). The Hada Consideration represents an approximately 20% discount to the RNAV.

In relation to the significant difference between the book value of the land and properties of the Hada Target Group as at 31 December 2017 and the preliminary land and properties valuation of the Hada Target Group which has resulted in the Hada Revaluation Gain of approximately RMB5.94 billion (equivalent to approximately HK$7.1 billion) as mentioned in the paragraph immediately above, we note from the Board Letter that the basis of computing the book value of the land and properties as at 31 December 2017 for the operations of the Markets of approximately RMB930 million (equivalent to approximately HK$1,120 million) is different from that of the appraised value of the land and properties as at 31 March 2018 of approximately RMB6.9 billion (equivalent to approximately HK$8.3 billion) set out in Appendix VIII to the Circular (the "**Hada Target Group Property Valuation**"). The book value of land and properties of the Hada Target Group for the operations of the Markets held as investment properties was computed with consideration of the rental income of the PRC Landlord Entities from the leases at rates below market rates under the Framework Lease Agreement (which would be terminated upon Hada Completion) and is therefore much lower in value than the appraised value of the land and properties which was appraised on the assumption that all leases under the Framework Lease Agreement will be terminated upon the Hada Completion. On that basis, the Directors consider the land and property valuation of the Hada Target Group set out in Appendix VIII to the Circular to be fair and reasonable.

The Board Letter carries on to state that with regards to the RNAV, no account is taken or required to be taken to recognize the economic benefits to the Group which arose from the 2015 Transaction represented by the 2015 Deductible Assets as the RNAV is premised on the preliminary land and properties valuation of the Hada Target Group (as required by Rule 5.02 of the

Listing Rules) by the Independent Professional Valuer, which does not take into account the 2015 Transaction, being the acquisition of operating rights of the Markets, nor the economic benefits to the Group which arose thereunder. As stated in the paragraph headed ''Valuation Methodology'' in the Hada Target Group Property Valuation, the Independent Professional Valuer has adopted the investment approach by capitalizing the net rents of the real property interests of which the Hada Target Group is entitled to receive for the residual term of the lease of the real property interests and where appropriate, the Independent Professional Valuer has adopted the comparison approach assuming sale in the existing state of the land and properties with the benefit of vacant possession by making reference to comparable sale evidence as available in the relevant market. As such, the Company considers it not necessary nor appropriate to subtract the 2015 Deductible Assets, representing the economic benefits of the 2015 Transaction to the Group in terms of intangible asset value and goodwill, from the RNAV.

With regards to the Hada Revaluation Gain of approximately RMB5.94 billion (equivalent to approximately HK$7.1 billion) on the land and properties arising out of the revised valuation on the land and properties as per the Hada Target Group Property Valuation using an ''Investment Approach'' as adopted by BMI Appraisals, we note that the property valuation is representative of the ''market value'' of the underlying land and properties which was arrived at by BMI Appraisals after collecting market information such as comparable rental rates, unit rates, etc.. As per the Hada Target Group Property Valuation, ''market value'' is defined as ''*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.*'' Seeing a successful transaction requires a willing buyer and a willing seller both agreeing to the same transaction terms, fairness and reasonableness to the vendor, i.e. New Amuse in this instance, cannot be ignored since apart from disposing the Hada Target Group to Yield Smart, New Amuse could also elect to dispose the Hada Target Group or the underlying land and properties to other potential willing buyers in the market at ''market value'' should it so wish.

In relation to the computation of the RNAV, we have observed that (i) the base figure of the RNAV is the net liabilities position of the Hada Target Group as at 31 December 2017 and this figure is derived solely from within the Hada Target Group itself, with the effect arising out of the 2015 Transaction and the Framework Lease Agreement being worsened financial figures of the Hada Target Group as a result of the rental income receivable under the Framework Lease Agreement being significantly lower than the market rental rate as discussed earlier in this letter; (ii) the Expected Hada NAV of approximately RMB824 million (equivalent to approximately HK$993 million) is arrived at after having taken into account the settlement of accounts receivables and capitalization of loans which are part of the conditions precedent to the Hada Acquisition Agreement and are also derived solely from within the Hada Target

Group itself and has no relevance to the 2015 Transaction and the Framework Lease Agreement; and (iii) the Hada Revaluation Gain is again derived solely from within the Hada Target Group itself and is not associated with the assets and liabilities purchased by the Group in the 2015 Transaction. In view of the above, we consider that (i) any value, asset and liabilities used in the RNAV computation that may have linkage to the 2015 Transaction would be the book value of the land and properties of the Hada Target Group of approximately RMB930 million (equivalent to approximately HK$1,120 million) and since the Hada Revaluation Gain used in the computation of the RNAV is merely the difference between the ''market value'' and book value of such land and properties, there is no ''double counting'' of the assets and liabilities associated with the 2015 Transaction since a ''ceiling'' in the form of the Hada Target Group Property Valuation, which has no relevance with the 2015 Transaction, has already been set; (ii) the computation of the RNAV has only accounted for those values and/or adjustments that are generated from within the Hada Target Group and has not accounted for those assets and liabilities and economic benefits arising out of the 2015 Transaction such as the 2015 Deductible Assets; and (iii) no further adjustment is needed on the RNAV which in our opinion demonstrates the ''incremental value'' to the Group attributable to the Hada Acquisition.

Having considered the above, we are of the view that the RNAV of Hada Target Group as mentioned above is more meaningful than the net liabilities position of the Hada Target Group as at 31 December 2017 within the context of the Hada Acquisition since the RNAV represents a more accurate portrayal of the underlying value of the Hada Target Group upon Hada Completion.

5.1.4 The Net Alternative RNAV (as defined below)

As per the Board Letter, the approach taken to calculate the RNAV as set out in the Announcement has erred on the conservative side in that the appraised value of land and properties as at 31 March 2018 has given no commercial value to those properties without title certificates. An alternative approach would be to take the appraised value of the land and properties with or without title certificates, which value is approximately RMB12.5 billion (equivalent to approximately HK$15.1 billion) as shown in note e(2) on page VI-11 of Appendix VI to the Circular, based on which, the Alternative RNAV of the Hada Target Group immediately before the Hada Completion is expected to be approximately RMB12.4 billion (equivalent to approximately HK$14.9 billion). The Alternative RNAV is a combined valuation appraised with reference to the operations of the Markets integrated with all land and properties of the Hada Target Group on which the Markets situate and it is not premised on the preliminary land and properties valuation under rule 5.02 of the Listing Rules. Despite that certain properties of the Hada Target Group may not possess title certificates as at the Latest Practicable Date, the competent government authorities in the PRC have either confirmed no action will be taken to impose fines or penalties; the relevant Hada Target Group is entitled to continue its occupation or usage of such properties; or where the title certificates are being applied for, there exist no material impediments to obtain such title certificates. Given that the Group will be able to continue to use and occupy such properties for the operation of the Markets after the Hada Completion, the Company considers it relevant and appropriate to take into account all land and properties of the Hada Target Group when computing the Alternative RNAV.

The Board Letter continues to state that the Alternative RNAV is the sum of (i) the Expected Hada NAV of approximately RMB824 million (equivalent to approximately HK$993 million) and (ii) the gain on revaluation of the land and properties of approximately RMB11.6 billion (equivalent to approximately HK$14.0 billion) (being the difference between RMB12.5 billion (equivalent to approximately HK$15.1 billion) and RMB930 million (equivalent to approximately HK$1,120 million)). If account is taken to recognize the economic benefits to the Group which arose from the 2015 Transaction in terms of the intangible asset value and goodwill by deducting the 2015 Deductible Assets, which fair value being approximately RMB6.0 billion (equivalent to approximately HK$7.2 billion) as appraised by the Independent Professional Valuer, from the Alternative RNAV, being approximately RMB12.4 billion (equivalent to approximately HK$14.9 billion), the difference, being approximately RMB6.4 billion (equivalent to approximately HK$7.7 billion) (the "**Net Alternative RNAV**") is much higher than the Hada Consideration of RMB5.4 billion (equivalent to approximately HK$6.5 billion), and as such the Hada Consideration is still more favourable to the Company.

In relation to the computation of the Net Alternative RNAV, we note that the gain on revaluation of the land and properties is derived from the combined valuation appraised with reference to the operations of the Markets integrated with all land and properties of the Hada Target Group on which the Markets situate. Given that it has factored in the economic benefits derived from the 2015 Transaction, we consider that it is appropriate to deduct the 2015 Deductible Assets to arrive at the Net Alternative RNAV which demonstrates the "incremental value" to the Group attributable to the Hada Acquisition.

5.1.5 The Alternative Approach (as defined below)

Apart from the aforementioned approaches as considered by the Board, we have also compared the Group's total outlay for the 2015 Transaction and the Hada Acquisition, and compare such value against the Hada and PRC Operating Entities Business Valuation of RMB12,000,000,000 (the "**Alternative Approach**"). As per the 2015 Circular, the consideration for the 2015 Transaction (which was for the business and operations of the Markets) was HK$6.5 billion (equivalent to approximately RMB5.4 billion). With the Hada Consideration (which is for the underlying land and properties of the Markets) being RMB5.4 billion (equivalent to approximately HK$6.5 billion), the total outlay for the Group in the 2015 Transaction and the Hada Acquisition is roughly RMB10.8 billion (equivalent to approximately HK$13.0 billion) (the "**Total Outlay**"). Such Total Outlay represents an approximately 10.0%

discount to the Hada and PRC Operating Entities Business Valuation which reflects the value of the Hada Target Group and the PRC Operating Subsidiaries (i.e. the combined assets acquired and to be acquired pursuant to the 2015 Transaction and the Hada Acquisition).

5.1.6 Summing up the Final Hada Target Group Valuation, the RNAV, Net Alternative RNAV and the Alternative Approach

To sum up, the following benchmarks have been evaluated in assessing the Hada Acquisition, namely (i) the Final Hada Target Group Valuation of RMB6.0 billion (equivalent to approximately HK$7.2 billion); (ii) the RNAV of approximately RMB6.8 billion (equivalent to approximately HK$8.2 billion); and (iii) the Net Alternative RNAV of approximately RMB6.4 billion (equivalent to approximately HK$7.7 billion). In addition, we have also considered the Alternative Approach which indicates the Total Outlay is at an approximately 10.0% discount to the Hada and PRC Operating Entities Business Valuation. Although the different benchmarks mentioned above were derived from widely different base figures and with varying adjustments to suit the different circumstances, it is noted that the lowest value benchmark, i.e. the Final Hada Target Group Valuation, represents a difference of only around 11.8% from the highest value benchmark, i.e. the RNAV. Given with the relatively close proximity of the Final Hada Target Group Valuation, the RNAV and the Net Alternative RNAV despite the widely varying approaches adopted in their computation, we are satisfied that they have passed cross-checking with each other and arrived at similar conclusions which are in line with that of the Alternative Approach. Accordingly, we are of the view that they constitute valid and appropriate benchmarks for the purpose of assessing the Hada Acquisition. We also consider that the RNAV, which is derived from the most straight-forward computation (i.e. the Expected Hada NAV derived from the net liabilities position of the Hada Target Group as at 31 December 2017 and the Hada Revaluation Gain) allowing us to arrive at an adjusted net asset value, is appropriate for adoption in our further analyses in section 5.3 of this letter below.

5.2 *The Hangzhou Acquisition*

Date:	5 June 2018
Parties:	Yield Smart Limited, a wholly-owned subsidiary of the Company, as purchaser Vast Equity Investment Limited, an Independent Third Party, as vendor
Subject matter to be acquired:	the entire issued share capital of the Hangzhou Target Company

Upon the Hangzhou Completion, the Hangzhou Target Company will become a wholly-owned subsidiary of the Enlarged Group and each Hangzhou Target Group Company will become a subsidiary of the Enlarged Group. The financial results of the Hangzhou Target Group will be consolidated into the accounts of the Enlarged Group.

Hangzhou Consideration

The total consideration payable by the Company to the Hangzhou Vendor pursuant to the Hangzhou Acquisition Agreement is HK$1.47 billion (equivalent to approximately RMB1.223 billion) of which:

(a) a refundable Deposit in the total amount of HK$700 million which should be payable on or prior to the date of the Hangzhou Acquisition Agreement; and

(b) the remaining balance of HK$770 million shall be satisfied by cash on the Hangzhou Completion Date.

The Deposit is refundable by the Hangzhou Vendor in full within seven Business Days upon being notified by Yield Smart if any of the conditions precedent of the Hangzhou Acquisition Agreement is not fulfilled or waived in accordance with the Hangzhou Acquisition Agreement or if the Hangzhou Acquisition Agreement is not completed in accordance with the provisions therein or is otherwise terminated by the parties prior to the Hangzhou Completion. As security against any default of the Hangzhou Vendor in refunding the Deposit, share charges over the entire issued share capital of the Hangzhou Target Company and its wholly-owned Hong Kong-incorporated subsidiary, Huge Surplus, have been entered into by the Hangzhou Vendor and the Hangzhou Target Company, respectively, in favour of Yield Smart.

We note from the section headed ''Reasons for the Rights Issue and use of proceeds'' in the Announcement that the Hangzhou Consideration in cash shall be financed by the Rights Issue.

Basis of the Hangzhou Consideration

The Hangzhou Consideration was determined after arm's length negotiations between the parties to the Hangzhou Acquisition Agreement following due consideration of the preliminary appraised value of the Hangzhou Target Group of approximately RMB1.9 billion (equivalent to approximately HK$2.3 billion), pursuant to a preliminary business valuation by an independent professional valuer adopting a market approach using comparable companies and considering the business development and future prospects of the Hangzhou Target Group. The Hangzhou Consideration represents a discount of approximately 35.6% from the preliminary appraised value of the Hangzhou Target Group.

5.3 Comparative analyses for the Acquisitions

In order to assess the fairness and reasonableness of the Acquisitions, we have identified 14 comparable companies (the "**Industry Comparable(s)**") which are principally engaged in markets of food, agricultural and related products in the PRC and with market capitalization of HK$20 billion or less based on research on Bloomberg. The aforementioned selection criteria has allowed us to select the Industry Comparables which are closely related to the Hada Target Group and the Hangzhou Target Group in terms of principal activities of such companies which are in general affected by similar macro-economic factors such as economy, outlook, consumer spending, etc. while excluding those companies that are similar in principal activities but are of much larger sizes therefore affecting their comparability with the Hada Target Group and the Hangzhou Target Group. We have noted that the Industry Comparables are different from those comparables as identified by BMI Appraisals in the Business Valuation Report. However, we understand that valuers generally select their comparables based on applicable valuation standards and their selection criteria may not necessarily be the same as ours. Having considered the above, we are of the view that the selection basis for the Industry Comparables are fair, reasonable and representative. Given that the Hada Target Group, the Hangzhou Target Group and the Industry Comparables are all based in the PRC, we do not consider country risk adjustment to be necessary although certain of the Industry Comparables are listed on PRC stock exchanges. Although our analyses presented below illustrate large variances in the price-to-earnings ratio ("**P/E**") and price-to-book ratio ("**P/B**") amongst the Industry Comparables, we consider it is only indicative of an apparent lack of a clearly established "market norm" for this particular industry, and would not affect the fairness, reasonableness and representativeness of the Industry Comparables as they are still closely related to the Hada Target Group and the Hangzhou Target Group as discussed above. We have already excluded an inappropriate outlier as discussed below which would have significantly skewed the average figure and consider the variance of the Industry Comparables to be acceptable since the maximum P/E and P/B represent roughly two times of the respective average figures which does not appear to be out of the ordinary and does not indicate the need for further exclusion. Save for the exclusion of the P/E analysis for Shenzhen Agricultural Products Co Ltd (000061.CH), the reason of which is set out under note 1 below, the Industry Comparables represent an exhaustive list of all suitable comparable companies meeting the aforementioned criteria as identified by us based on our best information, knowledge and belief. We have analyzed the P/E, which compares stock price with its earnings, and P/B, which compares stock price with its book value, of the Industry Comparables as at 5 June 2018, i.e. the date of the Hada Acquisition Agreement and Hangzhou Acquisition Agreement. Seeing P/E and P/B are commonly accepted benchmarks in the comparison of valuation of companies against their industry peers and we are not aware of any specific circumstances of the Industry Comparables, the Hada Target Group and the Hangzhou Target Group that would make such analyses inappropriate, we have adopted them for the purpose of our analyses. Set out below is our analysis on the Industry Comparables:

Name of company (stock code/ticker)	Principal business	Market capitalization/ valuation[6]	P/E	P/B
		HK$'million	*times*	*times*
Beijing Jingkelong Co Ltd (814.HK)	Beijing Jingkelong Company Limited wholesales and distributes food products. The Company provides prepackaged foods, bulk foods, health foods, and other products. Beijing Jingkelong also provides books, periodicals, audiovisual products, newspapers, and other products.	767	13.7	0.4
Shenzhen Agricultural Products Co Ltd (000061.CH)	Shenzhen Agricultural Products Co., Ltd. operates chain supermarkets and wholesale markets for agricultural products. The Company also provides agricultural products processing and other related services.	13,433[5]	n/a[1]	2.3
Sanjiang Shopping Club Co Ltd (601116.CH)	Sanjiang Shopping Club Company Limited operates community budget supermarket franchises. The Company provides customers with retail services.	10,175[5]	79.2	5.0
CP Lotus Corp (121.HK)	CP Lotus Corporation operates a chain of hypermarkets in China. The stores offer fresh food, health supplements, beverages and liquor, household chemicals, housewares, hardware, sporting goods and toys, electronic appliances, apparel, shoes and other products. CP Lotus operates in northern, eastern and southern China.	1,388	12.8	0.8
Better Life Commercial Chain Share Co Ltd (002251.CH)	Better Life Commercial Chain Share Co., Ltd. operates a chain of supermarkets, general merchandise stores and household electrical appliances stores.	14,207[5]	72.8	1.8
Renrenle Commercial Group Co Ltd (002336.CH)	Renrenle Commercial Group Co.,Ltd. operates shopping outlets, supermarkets and department stores. The Company operates its stores throughout China.	6,251[5]	n/a[2]	2.8
New Huadu Supercenter Co Ltd (002264.CH)	New Huadu Supercenter Co., Ltd. engages in chain operations in marketplaces, supermarkets, department stores.	9,006[5]	n/a[2]	4.5
Tianjin Quanye Bazaar Group Co Ltd (600821.CH)	Tianjin Quanye Bazaar (Group) Co., Ltd. owns and operates department stores and supermarkets, as well as sells general merchandise on a wholesale basis. Tianjin Quanye also provides storage and cargo delivery services, and invests in real estate and interior decoration businesses.	3,089[5]	n/a[2]	5.4

Name of company (stock code/ticker)	Principal business	Market capitalization/ valuation[6]	P/E	P/B
		HK$'million	*times*	*times*
Zhongbai Holdings Group Co Ltd (000759.CH)	Zhongbai Holdings Group Co., Ltd. owns and operates several department stores and supermarkets. Through its subsidiaries, the Company also operates in pharmaceuticals manufacturing, real estate development, and property management.	7,016[5]	n/a[2]	1.9
Beijing Hualian Hypermarket Co Ltd (600361.CH)	Beijing Hualian Hypermarket Co., Ltd. operates supermarkets and department stores. The Company sells groceries, knitting products, medical instruments, hardware, chemical materials, food, beverages, construction materials, arts and crafts, jewelry, furniture, computers, air-conditioning equipment, metal materials, and other merchandise.	4,051[5]	32.0	1.2
Springland International Holdings Ltd (1700.HK)	Springland International Holdings Ltd. operates retail stores. The Company operates a chain of department stores and a chain of supermarkets. Springland operates in the Greater Yangtze River Delta in China.	4,416	11.1	0.7
Chengdu Hongqi Chain Co Ltd (002697.CH)	Chengdu Hongqi Chain Company Limited operates convenience stores chain. The Company's main products are food, alcoholic drinks and tobacco, and other daily necessities.	9,504[5]	42.9	3.3
China Shun Ke Long Holdings Ltd (974.HK)	China Shun Ke Long Holdings Limited operates supermarket china stores. The Company primarily serves customers in Guangdong Province, China.	842	58.9	2.6
Lianhua Supermarket Holdings Co Ltd (980.HK)	Lianhua Supermarket Holdings Company Limited operates hypermarkets, supermarkets, and convenience stores in China.	2,676	n/a[2]	1.0
		Minimum:	*11.1*	*0.4*
		Maximum:	*79.2*	*5.4*
		Average:	*40.4*	*2.4*
The Hada Target Group[3]	**Operation of agricultural produce markets**	**6,500**	**n/a**	**0.8**
The Hangzhou Target Group[4]	**Operation of agricultural produce markets**	**1,470**	**14.5**	**1.2**

Source: Bloomberg

Notes:

1. The P/E of this Industry Comparable of 932.3 times is considered to be an outlier case and is therefore excluded in our analysis above.

2. There is no P/E data for this Industry Comparable on Bloomberg, potentially as a result of the loss-making position of this Industry Comparable and therefore no profit figure available for calculation of its P/E.

3. There is no implied P/E for the Hada Target Group due to its loss-making position during the year ended 31 December 2017. In respect of its implied P/B, it was arrived at after dividing the Hada Consideration of RMB5.4 billion (equivalent to approximately HK$6.5 billion) by its RNAV of approximately RMB6.8 billion (equivalent to approximately HK$8.2 billion) which, in our opinion, better reflects the underlying value of the Hada Target Group within the context of the Hada Acquisition.

4. In respect of the implied P/E of the Hangzhou Target Group, it was arrived at after dividing the Hangzhou Consideration of HK$1.47 billion (equivalent to approximately RMB1.223 billion) by its combined net profits after tax of approximately RMB84,328,000 during the year ended 31 December 2017 as extracted from the Board Letter. In respect of its implied P/B, it was arrived at after dividing the Hangzhou Consideration by the Hangzhou Adjusted NAV of approximately RMB1,010,663,000 which, in our opinion, better reflects the underlying value of the Hangzhou Target Group within the context of the Hangzhou Acquisition.

5. As the relevant figure is originally quoted in RMB, translation has been made at the exchange rate of HK$1 = RMB0.83 for illustrative purpose only.

6. For the Industry Comparables, the market capitalization is sourced from Bloomberg. For the Hada Target Group and the Hangzhou Target Group, their valuation is based on the Hada Consideration and the Hangzhou Consideration respectively.

As illustrated in the analysis above, (i) the P/E of the Industry Comparables range from a low of approximately 11.1 times to a high of 79.2 times, with the average thereof being approximately 40.4 times; and (ii) the P/B of the industry Comparables range from a low of approximately 0.4 times to a high of 5.4 times, with the average thereof being approximately 2.4 times. It is noted that (i) the implied P/B of the Hada Target Group of approximately 0.8 times is within the range (and near the low end) as represented by the Industry Comparables and below the average figure thereof; (ii) the implied P/E of the Hangzhou Target Group of approximately 14.5 times is within the range (and near the low end) as represented by the Industry Comparables and below the average figure thereof; and (iii) the implied P/B of the Hangzhou Target Group of approximately 1.2 times is within the range as represented by the Industry Comparables and below the average figure thereof. It is also noted that the implied P/B of the Hada Target Group compares favorably with that of the Hangzhou Target Group whose vendor, i.e. the Hangzhou Vendor, is an Independent Third Party.

In view that the Hada Target Group and the Hangzhou Target Group are owners of the relevant land and properties on which the relevant markets are situated, we consider it appropriate to have a further analysis on owners of similar commercial properties coming from an asset-based perspective. In that connection, we have identified a further 5 comparable companies (the ''**Property Owner Comparable(s)**'') which are real-estate companies that self-own a large portion of commercial properties (mainly shopping mall or supermarket related properties) in the PRC and with market capitalization of HK$20 billion or less based on research on Bloomberg. The aforementioned selection criteria has allowed us to select the Property Owner Comparables which are also closely related to the Hada Target Group and the Hangzhou Target Group in terms of principal activities of such companies which are in general affected by similar macro-economic factors such as economy, outlook, consumer spending, etc. while excluding those companies that are similar in principal activities but are of much larger sizes therefore affecting their comparability with the Hada Target Group and the Hangzhou Target Group. Having considered the above, we are of the view that the selection basis for the Property Owner Comparables are fair, reasonable and representative. Given that the Hada Target Group, the Hangzhou Target Group and the Property Owner Comparables are all based in the PRC, we do not consider country risk adjustment to be necessary although certain of the Property Owner Comparables are listed on overseas stock exchanges. Since there is a lack of available information allowing us to generate a meaningful list of listed comparable companies that self-own a large portion of food related markets, we consider the analysis on the Property Owner Comparables is a suitable alternative as they represent the closest proxies based on the best information available to us. The Property Owner Comparables represent an exhaustive list of all suitable comparable companies meeting the aforementioned criteria as identified by us based on our best information, knowledge and belief. We have only analyzed the P/B of the Property Owner Comparables as at 5 June 2018, i.e. the date of the Hada Acquisition Agreement and Hangzhou Acquisition Agreement, leaving out the P/E analysis for the Property Owner Comparables since (i) the main purpose of the analysis on the Property Owner Comparables is to have a further analysis on owners of similar commercial properties coming from an asset-based perspective so analysis on other benchmarks such as P/E would not be relevant for our purpose; and (ii) two of the Property Owner Comparables, namely Beijing Hualian Department Store Co. Ltd. (000882.CH) and Langold Real Estate Co. Ltd. (002305.CH) had exceptionally high P/E of approximately 491.1 times and 103.3 times respectively and would have been excluded as outliers while a third Property Owner Comparable BHG Retail REIT (BHGREIT.SP) had no P/E data, therefore leaving only two Property Owner Comparables with eligible P/E analysis and we consider such limited sample size to be too small for a meaningful analysis. Set out below is our analysis on the Property Owner Comparables:

Name of company (stock code/ticker)	**Principal business**	**Market capitalization/ valuation** *HK$'million*	**P/B** *times*
China Sandi Holdings Ltd (910.HK)	China Sandi Holdings Limited engages in holding of properties for investment and rental purpose and property development.	2,007	0.6
Beijing Hualian Department Store Co Ltd (000882.CH)	Beijing Hualian Department Store Co., Ltd. wholesales computers, household appliances, jewelry, and other general merchandise. The Company also operates department stores and provides storage, distribution, travel, and food services.	9,334[3]	1.0
Langold Real Estate Co Ltd (002305.CH)	Langold Real Estate Co., Ltd. operates real estate businesses. The Company provides housing renovation, housing loans, real estate brokerage, property management, and other services. Langold Real Estate also operates decorative materials development, engineering construction, and other businesses.	7,772[3]	1.4
BHG Retail REIT (BHGREIT.SP)	BHG Retail REIT is a real estate investment trust (REIT) in Singapore. The REIT invests, directly and indirectly, in real estate which is used primarily for retail purposes, as well as real estate-related assets in relation to retail, with an initial focus on China.	2,219[4]	0.9[5]
Joy City Property Ltd (207.HK)	Joy City Property Limited, is engaged in the development, operation, sale, leasing and management of mixed-use complexes and commercial properties such as shopping malls, hotels, offices, serviced apartments and resort and tourist properties.	17,647	0.5
		Minimum:	*0.5*
		Maximum:	*1.4*
		Average:	*0.9*
The Hada Target Group[1]	**Operation of agricultural produce markets**	**6,500**	**0.8**
The Hangzhou Target Group[2]	**Operation of agricultural produce markets**	**1,470**	**1.2**

Source: Bloomberg

Notes:

1. In respect of the implied P/B of the Hada Target Group, it was arrived at after dividing the Hada Consideration of RMB5.4 billion (equivalent to approximately HK$6.5 billion) by its RNAV of approximately RMB6.8 billion (equivalent to approximately HK$8.2 billion) which, in our opinion, better reflects the underlying value of the Hada Target Group within the context of the Hada Acquisition.

2. In respect of the implied P/B of the Hangzhou Target Group, it was arrived at after dividing the Hangzhou Consideration of HK$1.47 billion (equivalent to approximately RMB1.223 billion) by the Hangzhou Adjusted NAV of approximately RMB1,010,663,000 which, in our opinion, better reflects the underlying value of the Hangzhou Target Group within the context of the Hangzhou Acquisition.

3. As the relevant figure is originally quoted in RMB, translation has been made at the exchange rate of HK$1 = RMB0.83 for illustrative purpose only.

4. As the relevant figure is originally quoted in Singaporean Dollar ("**SGD**"), translation has been made at the exchange rate of SGD1 = HK$5.87 for illustrative purpose only.

5. As the relevant data for this Property Owner Comparable is stated to be "N/A" on Bloomberg for 5 June 2018, its data for 4 June 2018 is adopted in our analysis instead.

As illustrated in the analysis above, the P/B of the Property Owner Comparables range from a low of approximately 0.5 times to a high of 1.4 times, with the average thereof being approximately 0.9 times. It is noted that (i) the implied P/B of the Hada Target Group of approximately 0.8 times is within the range as represented by the Property Owner Comparables and slightly below the average figure thereof; and (ii) the implied P/B of the Hangzhou Target Group of approximately 1.2 times is within the range as represented by the Property Owner Comparables and above the average figure thereof.

5.4 The Acquisitions being inter-conditional to each other

We note from the Board Letter that completion of the Hangzhou Acquisition is a condition precedent of the Hada Acquisition (and vice versa) as the Acquisitions were negotiated at the same time and definitive agreements were entered into on the same date and are accordingly treated as inter-conditional upon each other but waivable at the discretion of Yield Smart as purchaser. In connection with the above, we have discussed with the Group's management and understand that due to the similar nature of the Hada Target Group and the Hangzhou Target Group, synergies (such as sharing of management expertise or other operational resources) are expected to be derived upon completion of the Acquisitions so the Hada Acquisition and the Hangzhou Acquisition are part and parcel in the Group's overall development strategies. Having considered the above and that (i) the conditions precedent to the Acquisition Agreements are commercial terms as agreed between the relevant parties after arm's length negotiations; and (ii) the inter-conditional nature of the Acquisitions has elevated the Hangzhou Acquisition from its original status as a transaction with an Independent Third Party to a connected transaction subject to more stringent requirements under Chapter 14A of the Listing Rules, we are of the view that such arrangement is fair and reasonable.

5.5 Conclusion with regards to the Acquisitions

Having considered the above principal factors, and in particular:

With respect to the Hada Acquisition

(i) the reasons for and benefits of the Hada Acquisition as discussed in section 4 to this letter;

(ii) the Hada Consideration represents an approximately 10.0% discount to the Final Hada Target Group Valuation which has taken into account: (a) the valuation of the Hada Target Group as per the Business Valuation Report; (b) settlement or loan capitalization of accounts receivables and payables to New Amuse and its associates and bank borrowings of the Hada Target Group before the Hada Completion; and (c) the deduction of the 2015 Deductible Assets comprising intangible asset value and goodwill associated with the PRC Operating Companies which were acquired in the 2015 Transaction;

(iii) the Hada Consideration represents a 20% discount to the RNAV which has taken into account: (a) the Expected Hada NAV upon Hada Completion; and (b) the revaluation gain of the land and properties of the Hada Target Group;

(iv) the implied P/B of the Hada Target Group of approximately 0.8 times is within the range (and near the low end) as represented by the Industry Comparables and below the average figure thereof;

(v) the implied P/B of the Hada Target Group is within the range as represented by the Property Owner Comparables and below the average figure thereof; and

(vi) the implied P/B of the Hada Target Group compares favorably with that of the Hangzhou Target Group whose vendor, i.e. the Hangzhou Vendor, is an Independent Third Party,

With respect to the Hangzhou Acquisition

(i) the reasons for and benefits of the Hangzhou Acquisition as discussed in section 4 to this letter;

(ii) the Hangzhou Consideration represents an approximately 35.6% discount to the Hangzhou Business Valuation;

(iii) the implied P/E of the Hangzhou Target Group of approximately 14.5 times is within the range (and near the low end) as represented by the Industry Comparables and below the average figure thereof;

(iv) the implied P/B of the Hangzhou Target Group of approximately 1.2 times is within the range as represented by the Industry Comparables and below the average figure thereof; and

(v) the implied P/B of the Hangzhou Target Group is within the range as represented by the Property Owner Comparables and above the average figure thereof,

we are of the view that the terms of the Acquisitions (including the Hada Consideration and the Hangzhou Consideration) are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In addition, since the terms of the Acquisitions are fair and reasonable based on our works as mentioned in this letter, we consider that the Acquisitions are on normal commercial terms so far as the Company and the Shareholders are concerned.

6. The Convertible Bond

6.1 Principal terms of the Convertible Bond

As extracted from the Board Letter, certain selected principal terms of the Convertible Bond are summarized below:

Issuer:	the Company
Aggregate principal amount:	HK$6,506,024,217 (equivalent to approximately RMB5.4 billion)
Issue price:	100% of the principal amount of the Convertible Bond, payable in full at the Hada Completion
Conversion price:	HK$0.163 per Conversion Share, subject to customary adjustments
Number of Conversion Shares issuable:	39,914,259,000 Conversion Shares are issuable upon full conversion based on the initial Conversion Price of HK$0.163
Maturity:	The Convertible Bond will mature on the 10th anniversary of the date of issue
Interest payment:	Holder(s) of the Convertible Bond are not entitled to receive any interest payment

Please refer to the section headed "(I) The Hada Acquisition — Principal terms of the Convertible Bond" in the Board Letter for information on additional terms of the Convertible Bond.

6.2 The Conversion Price

The initial Conversion Price of HK$0.163 was determined after arm's length negotiations between the Company and New Amuse, and it represents:

(i) a discount of approximately 2.98% to the closing price of the Shares of HK$0.168 as quoted on the Stock Exchange on the Relevant Trading Day;

(ii) a discount of approximately 0.79% to the average closing price of the Shares of HK$0.164 as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Relevant Trading Day;

(iii) a premium of approximately 3.82% over the average closing price of the Shares of HK$0.157 as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Relevant Trading Day;

(iv) a discount of approximately 4.29% to the average closing price of the Shares of HK$0.170 as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Relevant Trading Day;

(v) a premium of approximately 3.16% over the Group's latest audited net asset per Share as at 31 December 2017 of HK$0.158; and

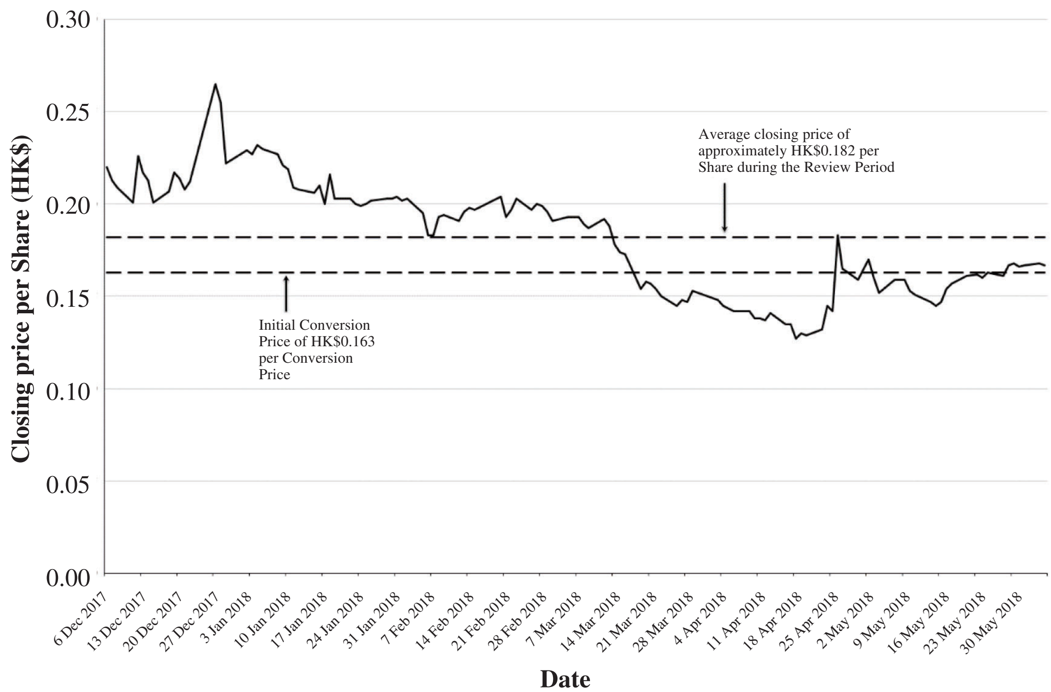
(vi) a premium of approximately 7.24% over the closing price of HK$0.152 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

6.3 Historical closing prices and trading volume of the Shares

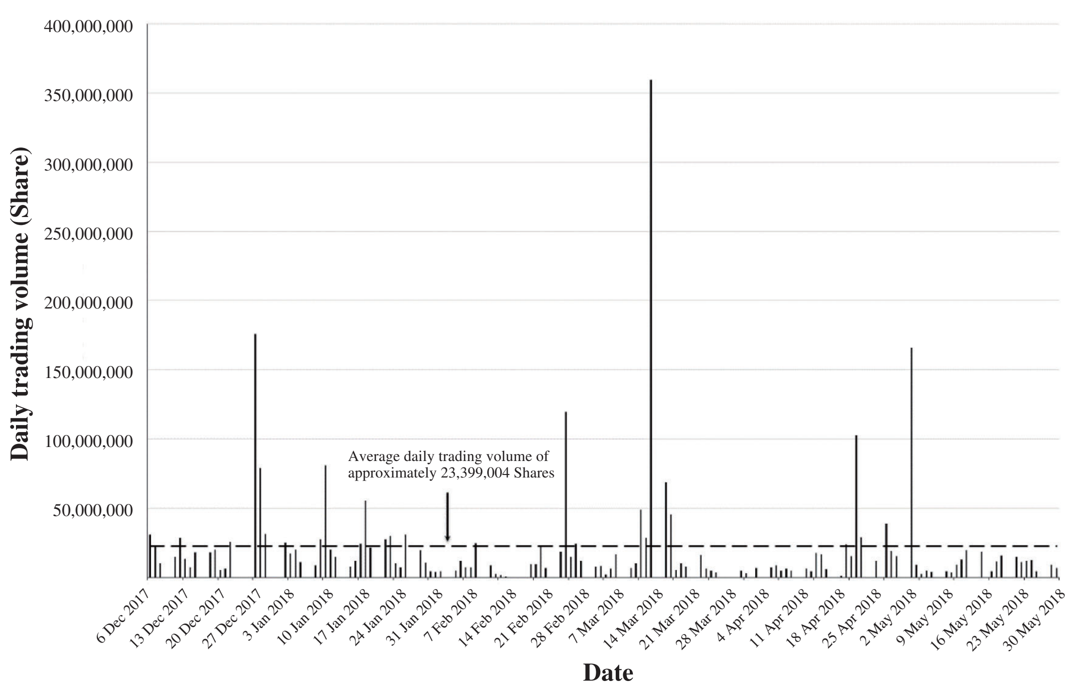
We have reviewed the closing price and daily trading volume of the Shares on the Stock Exchange for the 6-month period ended on 5 June 2018, i.e. the date of the Hada Acquisition Agreement (the "**Review Period**"). The 6-month period is generally adopted in other similar cases handled by us as, in our opinion, a shorter period (e.g. 2 months) may not sufficiently illustrate a meaningful historical trend while a longer period (e.g. 1 year) may have been too distant in time making such historical trend less relevant with reference to the dynamic financial markets. Therefore, we consider that the Review Period is reasonable so as to show the general trend and recent market valuation based on the closing price of the Shares on the Stock Exchange for a meaningful period in relation to the Convertible Bond.

We set out below the charts for the closing price and daily trading volume of the Shares during the Review Period.

Closing price the Shares on the Stock Exchange



Daily trading volume of the Shares on the Stock Exchange



Source: http://www.hkex.com.hk/

During the Review Period, the highest closing price of the Shares was HK$0.265 per Share on 27 December 2017 and the lowest closing price of the Shares was HK$0.127 per Share on 18 April 2018. As illustrated in the chart above, the closing prices of the Shares followed a generally downward trend during the Review Period. The Conversion Price of HK$0.163 per Share is closer to the low end of the range of closing prices of the Shares, and is below the average closing price during the Review Period of approximately HK$0.182 per Share.

During the Review Period, the average daily trading volume of the Shares was approximately 22,399,004 Shares, representing approximately 0.05% of the Company's total number of Shares in issue as at the Latest Practicable Date or approximately 0.10% of the Shares held in public hands (i.e. the Company's total number of Shares in issue minus those held by the Dai Family Group and Directors). Trading of the Shares did not appear to be particularly active during the Review Period which may have an implication on the Conversion Price being set at a slight discount to the closing price on the Relevant Trading Day.

6.4 Comparative analysis for the Convertible Bond

In order to assess the fairness and reasonableness of the Convertible Bond, we have identified 21 comparable companies (the "**CB Comparable(s)**") which are Hong Kong listed companies that have announced an issue of convertible bonds ("**CB**") or convertible notes ("**CN**") during the 3 months ended 5 June 2018, i.e. the date of the Hada Acquisition Agreement. We have used a 3-month period for the selection of CB Comparables because (i) it has generated a reasonable number of samples for our analysis and having a shorter period would have resulted in an insufficient number of samples while a longer period would have generated too many samples with an even wider range of discount or premium making our analysis less meaningful; and (ii) it would capture the recent market trends while having a longer period may have been too distant in time making the samples less relevant in relation to the dynamic financial markets. For the purpose of our analysis, we have excluded (i) Zhongsheng Group Holdings Limited (stock code: 881) which has published an announcement on 6 May 2018 as its conversion price has not been clearly determined as per the relevant announcement; (ii) Bank of Communications Co., Ltd. (stock code: 3328) which has published an announcement on 27 April 2018 as its conversion price has not been clearly determined as per the relevant announcement; (iii) China Trends Holdings Limited (stock code: 8171) which has published an announcement on 26 April 2018 as the 336.0% premium of its conversion price over the closing price on last trading day significantly deviates from the range and average as represented by the CB Comparables therefore making it an outlier; and (iv) Artgo Holdings Limited (stock code: 3313) which has published an announcement on 30 March 2018 as its conversion price has not been clearly determined as per the relevant announcement. Save for the aforementioned exclusions, the CB Comparables represent an exhaustive list of all suitable comparable companies meeting the aforementioned criteria as identified by us based on our best information, knowledge and belief. Although our analysis presented below illustrate large variances in the premium/discount of the conversion price of the CB Comparables when compared to their respective closing prices on the last trading day, we consider it is only indicative of an apparent lack of a clearly established "market norm" when setting the conversion price against the closing price on the last trading day, and would not affect the fairness, reasonableness and representativeness of the CB Comparables as they represent the most similar transactions conducted by other Hong Kong listed companies recently and would therefore provide a meaningful reference point for comparison with the terms of the Convertible Bond. After the exclusion of the outlier as mentioned above, there are only small number of CB Comparables that significantly deviates from the average figure and given the sample size of 21 CB Comparables, we do not foresee a significant impact on the average figure therefore warranting further exclusions. The analysis on the CB Comparables is set out below:

Announcement Date	**Stock code**	**Stock name**	**Transaction**	**Principal amount**	**Premium/ (discount) of conversion price to the closing price of respective last trading day**	**Interest rate per annum**
				HK$'million	*%*	*%*
4 June 2018	704	Huscoke Resources Holdings Limited	Issue of CB	80.0	35.70	4.0
1 June 2018	61	Green Leader Holdings Group Limited	Issue of CN	395.0	—	1.5
31 May 2018	1470	Prosper One International Holdings Company Limited	Issue of CN	80.0	(16.67)	0.8
29 May 2018	3869	Hospital Corporation of China Limited	Issue of CB	773.9	(0.50)	—
18 May 2018	712	Comtec Solar Systems Group Limited[1]	Issue of CB	78.0	—	10.0
16 May 2018	456	New City Development Group Limited	Issue of CN	35.0	(18.87)	2.0
16 May 2018	646	China Environmental Technology Holdings Limited	Issue of CB	54.6	73.11	8.0

Announcement Date	Stock code	Stock name	Transaction	Principal amount *HK$'million*	Premium/ (discount) of conversion price to the closing price of respective last trading day *%*	Interest rate per annum *%*
15 May 2018	2699	Xinming China Holdings Limited	Issue of CB	300.0	19.83	6.5
15 May 2018	875	China Finance Investment Holdings Limited	Issue of CB	21.2	9.52	5.0
15 May 2018	6880	Tempus Holdings Limited	Issue of CB	160.0	20.3	7.0
11 May 2018	347	Angang Steel Company Limited	Issue of CB	1,850.0	15.1	—
10 May 2018	95	LVGEM (China) Real Estate Investment Company Limited	Issue of CB	785.0	18.61	4.0
10 May 2018	2178	Petro-king Oilfield Services Limited[2]	Issue of CB	30.0	—	8.0
8 May 2018	986	China Environmental Energy Investment Limited	Placing of CB	78.4	18.64	5.0
3 May 2018	8007	Global Strategic Group Limited	Issue of CN	20.0	7.41	10.0
24 April 2018	1298	Techcomp (Holdings) Limited[1]	Issue of CB	629.9	(20.00)	3.5
24 April 2018	527	China Ruifeng Renewable Energy Holdings Limited	Placing of CN	174.1	(17.80)	6.5

Announcement Date	Stock code	Stock name	Transaction	Principal amount	Premium/ (discount) of conversion price to the closing price of respective last trading day	Interest rate per annum
				HK$'million	*%*	*%*
17 April 2018	872	TUS International Limited	Issue of CB	53.7	(11.97)	—
29 March 2018	198	SMI Holdings Group Limited	Issue of CB	1,300.0	15.00	7.5
20 March 2018	24	Burwill Holdings Limited[1]	Issue of CB	101.4	(9.86)	7.0
8 March 2018	821	Value Convergence Holdings Limited	Issue of CB	160.0	(44.68)	2.0
			Minimum:	*20.0*	*(44.68)*	*—*
			Maximum:	*1,850.0*	*73.11*	*10.0*
			Average:	*341.0*	*4.42*	*4.7*
5 June 2018	**1387**	**The Company**	**Very substantial acquisition involving issue of Convertible Bond**	**6,506.0**	**(2.98)**	**—**

Source: http://www.hkexnews.hk/

Notes:

1. The principal amount of the CB is converted from US$ to HK$ at US$1 to HK$7.8 for illustrative purpose only.

2. Trading in shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 29 March 2018. The conversion price of HK$0.47 per conversion share represents the closing price of HK$0.47 per share as quoted on the Stock Exchange on 28 March 2018, being the last trading day preceding the aforesaid trading suspension.

As illustrated in the analysis above, the variance of the conversion price to the closing price of the shares on the last trading day of the CB Comparables range from a discount of approximately 44.68% to a premium of approximately 73.11%, with the average figure being a premium of approximately 4.42%. Accordingly, the discount of the Conversion Price to the closing price per Share on the Relevant Trading Day of approximately 2.98% falls within the range of the CB Comparables and is slightly below the average thereof.

With regards to the interest rate of the CB Comparables, they range from a low of 0.0% to a high of 10.0% per annum, with the average figure being approximately 4.7% per annum. The nil interest rate of the Convertible Bond is therefore at the low end of the range of the CB Comparables and is below the average thereof. The nil interest rate of the Convertible Bond compares favorably with the CB Comparables as it would save interest expenses to be borne by the Company which could theoretically be approximately HK$305.8 million per year based on the principal amount of the Convertible Bond of HK$6,506,024,217 and the average interest rate of the CB Comparables of approximately 4.7% per annum. We have also made reference to note 28(c) to the financial statements set out in the Annual Report and note that the Group had no interest-bearing borrowings as at 31 December 2017. Accordingly, we are unable to compare the interest rate of the Convertible Bond against the Group's own cost of borrowings.

6.5 Potential dilution on the shareholding interests of the Independent Shareholders arising out of the issue of the Conversion Shares

The Independent Shareholders' attention is drawn to the section headed "L. Shareholding structure of the Company before and after the completion of Acquisitions and the dilution effect to the existing Shareholders" in the Board Letter.

The Company shall issue the Convertible Bond to settle the Hada Consideration. Assuming the conversion rights attached to the Convertible Bond is fully exercised, the Company will issue a further 39,914,259,000 Conversion Shares, representing (i) approximately 90.8% of the existing issued share capital of the Company; (ii) approximately 69.8% of the Company's issued share capital as enlarged by the Rights Issue; and (iii) approximately 41.1% of the issued share capital of the Company as enlarged by the Rights Issue and issue of the Conversion Shares upon full conversion of the Convertible Bond. After completion of the Rights Issue and full conversion of the Convertible Bond, the shareholding interest of the public Shareholders shall decrease from approximately 48.53% to approximately 28.58% (assuming the Rights Issue is fully taken up by the public Shareholders who are also Qualifying Shareholders).

Having considered (i) the reasons for and benefits of the Hada Acquisition as discussed in section 4 of this letter; (ii) the terms of the Hada Acquisition are fair and reasonable as discussed in section 5.5 of this letter; and (iii) the terms of the Convertible Bond are fair and reasonable as discussed in section 6.6 of this letter, we consider that the aforementioned potential dilution effect to the shareholding of the Independent Shareholders is acceptable.

6.6 Conclusion regarding the Convertible Bond

Having considered the principal factors as discussed above, we are of the view that the terms of the Convertible Bond are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

7. Financial effects

7.1 Net assets

As per the "Unaudited pro forma financial information of the Enlarged Group" (the "**Pro Forma Financial Information**") set out in Appendix VI to the Circular, the Group had net assets attributable to equity holders of the Company of approximately RMB6,936,878,000 as at 31 December 2017. After pro forma adjustments (inclusive of those in relation to the Rights Issue under note h since (i) the Hada Completion is subject to, amongst others, Hangzhou Completion; and (ii) Hangzhou Completion is subject to, amongst others, Hada Completion and completion of the Rights Issue), the Enlarged Group would have unaudited pro forma net assets attributable to equity holders of the Company of approximately RMB11,930,709,000, representing an increase of approximately 72.0%.

7.2 Profitability

As per the Pro Forma Financial Information, the Group had loss attributable to equity holders of the Company of approximately RMB127,050,000 for the year ended 31 December 2017. After pro forma adjustments, the Enlarged Group would have an unaudited pro forma loss attributable to equity holders of the Company of approximately RMB97,761,000, representing an improvement of approximately 23.1%.

7.3 Liquidity

As per the Pro Forma Financial Information, the Group had current assets and current liabilities of approximately RMB2,031,206,000 and RMB443,087,000 respectively as at 31 December 2017, translating into a current ratio (current assets/ current liabilities) of approximately 4.6 times. After pro forma adjustments (inclusive of those in relation to the Rights Issue under note h since (i) the Hada Completion is subject to, amongst others, Hangzhou Completion; and (ii) Hangzhou Completion is subject to, amongst others, Hada Completion and completion of the Rights Issue), the Enlarged Group would have unaudited pro forma current assets and unaudited pro forma current liabilities of approximately RMB3,146,313,000 and RMB1,983,760,000 respectively, resulting in a current ratio of approximately 1.6 times which represents a decrease of approximately 65.2%. Although the Pro Forma Financial Information shows that the current ratio is expected to experience significant decrease, we consider that it is still at a healthy level of above 1 time and is therefore acceptable.

7.4 Gearing

As per the Pro Forma Financial Information, the Group had nil debts as at 31 December 2017. In addition, it had total equity of approximately RMB6,936,878,000 as at 31 December 2017, translating into a gearing ratio (total debts/total equity x 100%) of 0.0%. After pro forma adjustments (inclusive of those in relation to the Rights Issue under note h since (i) the Hada Completion is subject to, amongst others, Hangzhou Completion; and (ii) Hangzhou Completion is subject to, amongst others, Hada Completion and completion of the Rights Issue), the Enlarged Group would have unaudited pro forma total debts of approximately RMB2,650,936,000 (comprising (i) loans and borrowings (current portion) of approximately RMB91,000,000; (ii) loans and borrowings (non-current portion) of approximately RMB521,680,000; and (iii) Convertible Bond of approximately RMB2,038,256,000) and unaudited pro forma total equity of approximately RMB12,035,915,000, translating into a gearing ratio of approximately 22.0%. Although the Enlarged Group's gearing position is expected to significantly increase from 0.0% as at 31 December 2017, we consider that it is still in a healthy situation as the Group would still have unaudited pro forma net current assets of approximately RMB1,162,553,000 indicating that the Enlarged Group is expected to be able to fulfill its obligations arising out of its short-term liabilities.

It should be noted that the above-mentioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Enlarged Group will be upon Hada Completion and Hangzhou Completion.

CONCLUSION

Having considered the above principal factors, we are of the opinion that the terms of the Transactions (including the Hada Consideration, the Hangzhou Consideration, the Convertible Bond, the Conversion Price and the interest rate) are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In addition, we consider that the Transactions are on normal commercial terms. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the ordinary resolution(s) to approve the Acquisitions and the issue of the Convertible Bond at the EGM.

Yours faithfully,
For and on behalf of
Grand Moore Capital Limited
Kevin So
Director

Note: Mr. Kevin So is a licensed person and a responsible officer in respect of Grand Moore Capital Limited's type 6 regulated activity (advising on corporate finance) under the SFO. Mr. So has over 16 years of experience in the corporate finance industry in Hong Kong.

A. SUMMARY OF FINANCIAL RESULTS

Financial information of the Group for each of the years ended 31 December 2015, 2016 and 2017 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.renhebusiness.com):

- annual report of the Company for the year ended 31 December 2015 published on 14 April 2016 (pages 44–132) (http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0414/LTN20160414456.pdf);
- annual report of the Company for the year ended 31 December 2016 published on 27 April 2017 (pages 43–124) (http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN20170427440.pdf); and
- annual report of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 50–124) (http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0427/LTN201804271232.pdf).

B. INDEBTEDNESS STATEMENT

As at the close of business on the 30 April 2018, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining the information contained in this indebtedness statement, the Enlarged Group had outstanding bank loans and loans from other financial institutions of RMB17,100,830,000, the details were set out as follows:

	RMB'000
Secured bank loans	4,603,930
Guaranteed bank loans	2,472,900
Secured loans from other financial institutions	6,960,000
Guaranteed loans from other financial institutions	1,000,000
Secured and guaranteed loans from financial institutions	2,064,000
	17,100,830

As at 30 April 2018, the outstanding guarantees provided by the Enlarged Group to third parties in respect of loans amounted to RMB3,080,000,000. Such guarantees will be released along with the repayment of loan principal by such third parties.

Save as aforesaid, and apart from intra-group liabilities and normal accounts payable in the ordinary course of the business, as at the close of business on 30 April 2018, the Enlarged Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital, bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

C. WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that, in the absence of unforeseen circumstances and after taking into account the expected completions of the Rights Issue and the Acquisitions, the cash flow generated from the operating activities, the financial resources available to the Enlarged Group including internally generated funds and the available credit facilities, the Enlarged Group will have sufficient working capital for at least the next twelve months from the date of this circular.

Upon completion of the Hada Acquisition, Yield Smart (a wholly-owned subsidiary of the Company) will become the sole shareholder of the Hada Target Company and taking up the control of the PRC Landlord Entities which in turn holds the land and properties on which the Markets situate. The following discussions and analyses relate to the results of operations and financial condition of the Hada Target Group as at and for the years ended 31 December 2015, 2016 and 2017. You should read the following discussions and analyses in conjunction with the combined financial information of the Hada Target Group and the accompanying notes set out in the Accountants' Report on the Hada Target Group set out in Appendix IV to this circular.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE HADA TARGET GROUP

Business Review

Hada Target Group is principally engaged in the business operations of the Markets for the wholesaling and distribution of primarily vegetables and also fruits, seafood, meat, grain and oil and other food produce. The Markets are located in the following six cities in the PRC namely Shouguang, Guiyang, Harbin, Qiqihar, Mudanjiang and Shenyang.

Prior to completion of the Hada Acquisition, the PRC Landlord Entities were the main companies operating the Markets. Please refer to Note 1 to the Accountants' Report on the Hada Target Group set out in Appendix IV to this circular for more information on the companies comprising the Hada Target Group.

Results of Operations

Revenue

Revenue of the Hada Target Group comprises (i) operating lease income primarily generated from the Framework Lease Agreement signed between New Amuse as lessor and Yield Smart as lessee and the underlying lease agreements between the PRC Operating Companies and the PRC Landlord Entities, (ii) commission income generated from lease and management of the Markets, and (iii) sales of goods from the Markets. The following table sets out the breakdown of revenue for the years indicated:

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Operating lease	167,910	94,814	93,772
Commission income	365,320	—	—
Sales of goods	6,376	8,038	5,751
	539,606	102,852	99,523

Revenue decreased by 80.9% from RMB539.6 million in 2015 to RMB102.9 million in 2016, and further decreased by 3.2% to RMB99.5 million in 2017.

The decrease in revenue from 2015 to 2016 was mainly attributable to the cease of revenue generated from commission income as the business operations of the agricultural wholesale markets were acquired by the Group in 2015 (the **2015 Transaction**), as a result of which management of the Markets was passed to the PRC Operating Companies. Furthermore, Hada Target Group signed the Framework Lease Agreement on 9 June 2015 with PRC Operating Companies for 20 years. The annual rent was fixed at RMB100 million per year for the period from 27 July 2015 (being the completion date of the acquisition in 2015) to 31 December 2018. It was agreed between the parties that the subsequent annual rent shall be increased at a rate of 5% every 3 calendar years thereafter, until the expiry of the lease agreements on 31 December 2035. Revenue from operating lease of the Hada Target Group is therefore restricted by the Framework Lease Agreement. Further decrease in revenue from 2016 to 2017 was mainly attributable to the decrease in revenue from sales of goods.

Upon the Hada Completion, the Enlarged Group will be able to achieve a potential expansion in space, scale and upgrading of the facilities and systems of the Markets, which can only be achieved by the Enlarged Group as a landlord of the Markets.

Gross profit and gross profit margin

Gross profit for the years ended 31 December 2015, 2016 and 2017 was RMB536.5 million, RMB98.0 million and RMB95.7 million, respectively. Gross profit margin for the years ended 31 December 2015, 2016 and 2017 was 99.4%, 95.2% and 96.2%, respectively. The Hada Target Group maintained a consistently high gross profit margin in 2015, 2016 and 2017 since it has a relatively small cost of sales for its business operations which operate on the business model of leasing Markets to the PRC Operating Companies.

Other net income/(expense)

Other net income or expense of the Hada Target Group primarily represents (i) markets service fee income; (ii) loss or gain on disposal of property and equipment and investment properties; (iii) government grants; and (iv) others. Other net income for the years ended 31 December 2015 and 2016 was RMB68.8 million and RMB7.8 million, respectively, and other net expenses for the year ended 31 December 2017 was RMB2.6 million. The decrease in other net income from 2015 to 2016 was primarily attributable to the cease of markets service fee income as the Hada Target Group has passed the management of the Markets to PRC Operating Companies pursuant to the 2015 Transaction. The other net expenses recorded in 2017 were primarily attributable to the loss on disposal of property and equipment and investment properties such as derelict and old buildings.

Valuation Losses on Investment Properties

Valuation losses for Hada Target Group on investment properties for the years ended 31 December 2015, 2016 and 2017 was nil, RMB82.7 million and RMB28.3 million, respectively, primarily attributable to the above mentioned Framework Lease Agreement which restricted the lease income of the investment properties for a period of 20 years.

Investment properties are land or buildings which are owned or held under a leasehold interest to earn lease income or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. They are stated at fair value and any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

All of the investment properties owned by the Hada Target Group are located in the PRC which will be owned by the Enlarged Group upon completion of the Hada Acquisition. As such, it is expected that after the completion of the Hada Acquisition, the Hada Target Group will not have such valuation losses in connection with the leases under the Framework Lease Agreement.

Profit or Loss from Operations

The Hada Target Group derived its loss or profit from operations by deducting cost of sales, other net expenses, valuation losses on investment properties, administrative expenses and other operating expenses from revenue and other net income.

The Hada Target Group recorded profit from operations amounting to RMB285.4 million in 2015, loss from operations amounting to RMB22.3 million in 2016 and profit from operations amounting to RMB13.8 million in 2017. The loss in 2016 was mainly attributable to the impact of the valuation losses of RMB82.7 million on investment properties due to the Framework Lease Agreement. Excluding the impact of the valuation losses on investment properties, the Hada Target Group would have had profit from operations in the amount of RMB60.4 million in 2016. Profit in 2017 was mainly attributable to a decrease of RMB54.4 million in valuation losses on investment properties, partially offset by a slight increase of RMB4.9 million in administrative expenses.

Finance Income and Expenses

Finance income of the Hada Target Group consisted of mainly interest income on receivables from related parties and, to a much lesser extent, interest income on bank deposits. Finance income increased from RMB783.9 million in 2015 to RMB853.1 million in 2016, and further to RMB1,184.0 million in 2017. These increases were mainly attributable to an increase in interest income on receivables derived from advances to related parties.

Finance expenses of the Hada Target Group consisted of mainly interest expenses on interest-bearing borrowings and, to a much lesser extent, bank charges and other finance costs. Finance expenses increased from RMB949.9 million in 2015 to RMB1,053.4 million in 2016, and further to RMB1,221.7 million in 2017. These increases were mainly attributable to increases in interest expenses on borrowings in 2016 and 2017 due to the increases in outstanding borrowings from commercial banks and other financial institutions with a fixed interest rates ranging from 4.35% to 10.15% and 4.35% to 9.50% per annum, respectively, in 2016 and 2017.

Net finance expenses of the Hada Target Group was RMB166.0 million, RMB200.3 million and RMB37.7 million, respectively, for the years ended 31 December 2015, 2016 and 2017.

Income Tax

Certain entities of the Hada Target Group were incorporated in Hong Kong and were subject to Hong Kong profit tax at a rate of 16.5% during each of the three years ended 31 December 2017. Certain entities of the Hada Target Group were incorporated in the BVI and were not subject to any income tax. Certain entities of the Hada Target Group were incorporated in the PRC and were subject to the PRC corporate income tax at a rate of 25% during each of the three years ended 31 December 2017.

Income tax of the Hada Target Group was RMB52.7 million, RMB16.4 million and RMB29.7 million, respectively, in 2015, 2016 and 2017. The Hada Target Group had income tax despite its loss before taxation in 2016 and 2017 was primarily due to the tax effect of temporary differences that were not recognised.

Profit or Loss for the Year

As a result of the foregoing, the Hada Target Group recorded a profit for the year in the amount of RMB66.7 million for the year ended 31 December 2015 and a loss for the year in the amount of RMB239.0 million and RMB53.6 million, respectively, for the years ended 31 December 2016 and 2017.

Liquidity and Financial Resources

The Hada Target Group financed working capital and capital expenditures principally through cash generated from operating activities, borrowings (mainly bank loans and loans from other financial institutions) and internal cash resources. As at 31 December 2017, cash at bank and on hand of the Hada Target Group amounted to RMB1,825.3 million.

Cash inflows from operations of the Hada Target Group were primarily generated from rental, commission, sales of goods, service fee and interest income. Cash outflows from operations were mainly for expenditures on other operating expenses, as well as income tax payments. Net cash used in operating activities in 2015 was RMB201.0 million, comprised the cash outflow from operating activities of RMB135.1 million and income tax payment of RMB65.9 million. Net cash generated from operating activities in 2016 was RMB74.0 million, contributed by the cash inflow from operating activities of RMB73.2 million and income tax refund of RMB0.8 million. Net cash generated from operating activities in 2017 was RMB66.3 million, contributed by cash inflow from operating activities of RMB68.0 million, partially offset by the income tax payment of RMB1.7 million.

Net cash used in investing activities in 2015 and 2016 were RMB4,155.6 million and RMB4,870.3 million, respectively, primarily due to the increase in amounts due from related parties. Net cash generated from investing activities in 2017 was RMB4,441.9 million, which primarily reflected the decrease in amounts due from related parties.

Net cash generated from financing activities in 2015 and 2016 was RMB4,517.4 million and RMB4,555.8 million, respectively, which primarily reflected the proceeds from interest-bearing borrowings and increase in amounts due to related parties, and which were partially offset by the repayment of interest-bearing borrowings and interest paid. Net cash used in financing activities in 2017 was RMB4,516.7 million which primarily reflected the repayment of interest-bearing borrowings, decrease in amounts due to related parties and interest paid, and which was partially offset by the proceeds from interest-bearing borrowings.

As at 31 December 2015, 2016 and 2017, the Hada Target Group had net current assets of RMB2,085.2 million, RMB4,412.3 million and RMB718.7 million, respectively. The increase in net current asset from 2015 to 2016 was primarily due to the increase in amounts due from related parties. The decrease in net current assets from 2016 to 2017 was primarily due to the decrease in amounts due from related parties, partially offset by the increase in cash at bank.

As at 31 December 2017, total borrowings of the Hada Target Group amounted to RMB16,620.9 million. These included mainly short-term and long-term bank loans and loans from other financial institutions in an aggregate amount of RMB16,520.9 million and other unsecured borrowings in an aggregate amount of RMB100.0 million. All short-term bank loans and long-term bank loans amounted to RMB13,920.9 million as at 31 December 2017 are secured by investment properties and bank deposits, bearing fixed interest rates ranging from 4.35% to 9.50% per annum, with original maturity within 6 to 84 months.

Gearing Ratio

The gearing ratio of Hada Target Group, which is equal to interest-bearing borrowings over total assets as at 31 December 2015, 2016 and 2017, was 73.5%, 68.7% and 82.2%, respectively.

Significant Investments

The Hada Target Group did not have any material equity investments as at 31 December 2015, 2016 and 2017.

Contingent Liabilities

As at 31 December 2015, 2016 and 2017, the Hada Target Group has provided guarantees to related parties in respect of loans amounted to RMB3,220.0 million, RMB4,800.0 million and RMB3,080.0 million, respectively. Such guarantees will be released along with the repayment of loan principal by the related parties and will be terminated before the completion of the Hada Acquisition.

Commitments

As at 31 December 2017, the Hada Target Group did not have any outstanding commitments.

Financial Risk Management

For the years ended 31 December 2015, 2016 and 2017, the Hada Target Group was mainly exposed to credit, liquidity and interest rate risks arising in the normal course of business. For details of the exposure to such risks and the relevant risk management policies and practices adopted by the Hada Target Group, please refer to Note 21 of the Accountant's Report on the Hada Target Group as set out in Appendix IV to this circular.

As the operations of the Hada Target Group were principally based in the PRC for the years ended 31 December 2015, 2016 and 2017, the principal assets and liabilities of the Hada Target Group were denominated in Renminbi and therefore the Hada Target Group considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

Upon completion of the Hangzhou Acquisition, Yield Smart (a wholly-owned subsidiary of the Company) will become the sole shareholder of the Hangzhou Target Company and indirectly taking up all the business operations and land and properties owned by the Hangzhou Target Group. The following discussions and analyses relate to the results of operations and financial condition of the Hangzhou Target Group as at and for the years ended 31 December 2015, 2016 and 2017 or as at and for the period from date of establishment to 31 December 2017, whichever is applicable. You should read the following discussions and analyses in conjunction with the financial information of the Hangzhou Zhaorong Group, Hangzhou Honghui Group, Hangzhou Changhai, Hangzhou Vegetable Group and Hangzhou Fruit-products Group and the accompanying notes set out in the Accountants' Reports on these companies comprising the Hangzhou Target Group set out in Appendix V to this circular.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE HANGZHOU TARGET GROUP

Business Review of the Hangzhou Target Group

Hangzhou Target Group is principally engaged in the business operations of three markets, including fruits, vegetables and seafood wholesale markets in Hangzhou, the PRC and owns the land and properties for the operation of such markets.

Hangzhou Fruit-products and its subsidiary, Hangzhou Vegetable and its subsidiary and Hangzhou Changhai are the main companies operating in the Hangzhou Target Group. Please refer to Note 1 to the Accountants' Reports on all the companies comprising the Hangzhou Target Group set out in Appendix V to this circular for more information.

I. Hangzhou Zhaorong Group

Business Review

Hangzhou Zhaorong was established in Hangzhou Province, the PRC on 18 April 2017 and is a wholly-owned subsidiary of the Hangzhou Target Company. Since its establishment, it has been principally engaging in investment holding. Hangzhou Zhaorong and its subsidiaries together comprise the Hangzhou Zhaorong Group (the **Hangzhou Zhaorong Group**).

Results of Operations

Revenue

Revenue of the Hangzhou Zhaorong Group comprises (i) commission income generated from the wholesale markets which the Hangzhou Fruit-products and its subsidiary operate; (ii) lease income generated from operating leases; and (iii) sales of goods. The following table sets out the breakdown of revenue for the period indicated:

	For the period from the date of establishment to 31 December 2017
	RMB'000
Commission income	72,049
Lease income	7,042
Sales of goods	651
	79,742

Gross Profit and Gross Profit Margin

Gross profit for the period from the date of establishment to 31 December 2017 was RMB79.2 million and gross profit margin for the period from the date of establishment to 31 December 2017 was 99.3%. The Hangzhou Zhaorong Group has a high gross profit margin during the period since it has a relatively small cost of sales for its business operations.

Valuation Gain on an Investment Property

Valuation gain for the Hangzhou Zhaorong Group on an investment property for the period from the date of establishment to 31 December 2017 was RMB2.9 million, primarily attributable to the investment property obtained from the acquisition of an 80% equity interest in Hangzhou Fruit-products.

Investment properties are land or buildings which are owned or held under a leasehold interest to earn lease income or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. They are stated at fair value and any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

Other Income

Other income of the Hangzhou Zhaorong Group primarily represents (i) management and administrative service fee income; (ii) government grants; and (iii) net loss on disposal of property and equipment. Other income for the period from the date of establishment to 31 December 2017 was RMB2.0 million.

Profit from Operations

The Hangzhou Zhaorong Group derived its profit or loss from operations by deducting cost of sales, administrative expenses, and other operating expenses and by adding valuation gain on an investment property from revenue and other income.

Profit from operations of the Hangzhou Zhaorong Group for the period from the date of establishment to 31 December 2017 was RMB25.7 million.

Net Finance Income

Finance income of the Hangzhou Zhaorong Group for the period from the date of establishment to 31 December 2017 consisted of interest income of RMB4.0 million. Finance costs of the Hangzhou Zhaorong Group for the period from the date of establishment to 31 December 2017 consisted of (i) interest expenses on interest-bearing borrowings of RMB1.1 million and (ii) bank charges and others of RMB0.4 million. Net finance income of the Hangzhou Zhaorong Group for the period from the date of establishment to 31 December 2017 was RMB2.5 million.

Income Tax

The Hangzhou Zhaorong Group was established in the PRC and was subject to PRC corporate income tax at a rate of 25% during the period from the date of establishment to 31 December 2017. Income tax of the Hangzhou Zhaorong Group for the period from the date of establishment to 31 December 2017 was RMB7.2 million.

Profit for the Period

As a result of the foregoing, the Hangzhou Zhaorong Group recorded a profit for the period from the date of establishment to 31 December 2017 in the amount of RMB21.0 million.

Liquidity and Financial Resources

The Hangzhou Zhaorong Group financed working capital and capital expenditures principally through cash generated from operating activities, borrowings from commercial banks and internal cash resources. As at 31 December 2017, cash at bank and cash on hand of the Hangzhou Zhaorong Group amounted to RMB202.1 million.

Cash inflows from operations of the Hangzhou Zhaorong Group were primarily generated from commission, lease and sales of goods income from operating the fruits market in Hangzhou. Cash outflows from operations were mainly for expenditures on other operating expenses, as well as income tax payments. Net cash generated from operating activities for the period from the date of establishment to 31 December 2017 was RMB21.2 million, contributed by the cash inflow from operating activities of RMB27.1 million, partially offset by the income tax payment of RMB5.9 million.

Net cash used in investing activities for the period from the date of establishment to 31 December 2017 was RMB522.4 million, primarily due to cash payment of RMB659.2 million in relation to the acquisition of an 80% equity interest in Hangzhou Fruit-products, partially offset by proceeds of RMB142.6 million from disposal of an investment property in Hangzhou by Hangzhou Fruit-products in November 2017.

Net cash generated from financing activities for the period from the date of establishment to 31 December 2017 was RMB753.3 million, primarily reflected the capital contribution of RMB585.8 million by the equity shareholders of Hangzhou Zhaorong and advance of RMB170.0 million from a related party, a former shareholder of Hangzhou Zhaorong.

As at 31 December 2017, the Hangzhou Zhaorong Group had net current liabilities of RMB193.5 million.

As at 31 December 2017, total borrowings of the Hangzhou Zhaorong Group amounted to RMB30.0 million, all of which were secured by certain properties with original maturity within 12 months and a fixed annually interest rates ranging from 3.96% to 4.68% for the period from the date of establishment to 31 December 2017.

Gearing Ratio

The gearing ratio of the Hangzhou Zhaorong Group, which is equal to interest-bearing borrowings over total assets as at 31 December 2017, was 2.4%.

Significant Investment

In July 2017, Hangzhou Zhaorong entered into agreements to acquire an 80% equity interest of Hangzhou Fruit-products from 40 independent individuals and Hangzhou Fruit-products Group Company Limited Labour Union Committee, an independent third party, for a cash consideration of RMB768.0 million. For details of Hangzhou Zhaorong's investment in subsidiaries as at 31 December 2017, please refer to Note 6 of the Accountants' Report on the Hangzhou Zhaorong Group in Part I Appendix V to this circular.

Contingent Liabilities

Save as disclosed above, the Hangzhou Zhaorong Group did not have any other contingent liabilities as at 31 December 2017.

Commitments

The Hangzhou Zhaorong Group has made capital commitments in respect of the remaining payments for the acquisition of a company in the PRC engaged in seafood wholesale market business. As at 31 December 2017, the amount of commitments contracted but not provided for in respect of such uses was RMB180.0 million.

The Hangzhou Zhaorong Group leases out its properties under operating lease as lessor and it also leases properties for the use by its fruits market operations under operating lease as lessee. As at 31 December 2017, the expected minimum lease income under non-cancellable lease amounted to RMB120.6 million and the future minimum lease payments under non-cancellable operating leases amounted to RMB114.9 million.

II. Hangzhou Honghui Group

Business Review

Hangzhou Honghui was established in Hangzhou, the PRC on 23 August 2017 and is a wholly-owned subsidiary of the Hangzhou Target Company. Since its establishment, it has been principally engaging in investment holding. Hangzhou Honghui and its subsidiaries together comprise the Hangzhou Honghui Group (the **Hangzhou Honghui Group**).

Results of Operations

Revenue

Revenue of the Hangzhou Honghui Group comprises (i) commission income generated from the wholesale markets, and (ii) lease income generated from operating leases. The following table sets out the breakdown of revenue for the period indicated:

	For the period from date of establishment to 31 December 2017 *RMB'000*
Commission income	15,382
Lease income	2,596
	17,978

Administrative expenses

Administrative expenses primarily consist of personnel expenses and depreciation. For the period from the date of establishment to 31 December 2017, administrative expenses of the Hangzhou Honghui Group amounted to RMB13.7 million.

Profit from Operations

The Hangzhou Honghui Group derived its profit or loss from operations by deducting valuation loss on an investment property, administrative expenses, and other operating expenses from revenue and other income.

Profit from operations of the Hangzhou Honghui Group for the period from the date of establishment to 31 December 2017 was RMB2.7 million.

Finance Income

Finance income of the Hangzhou Honghui Group for the period from the date of establishment to 31 December 2017 consisted of (i) interest or distribution income on investments in debt securities and available-for-sale financial assets of RMB1.8 million and (ii) interest income of RMB58,000. Finance income of the Hangzhou Honghui Group for the period from the date of establishment to 31 December 2017 was RMB1.8 million.

Income Tax

The Hangzhou Honghui Group was established in the PRC and was subject to PRC corporate income tax at a rate of 25% during the period from the date of establishment to 31 December 2017. Income tax of the Hangzhou Honghui Group for the period from the date of establishment to 31 December 2017 amounted to RMB1.2 million.

Profit for the Period

As a result of the foregoing, the Hangzhou Honghui Group recorded a profit for the period from the date of establishment to 31 December 2017 in the amount of RMB3.3 million.

Liquidity and Financial Resources

The Hangzhou Honghui Group financed working capital and capital expenditures principally through cash generated from operating activities and internal cash resources. As at 31 December 2017, cash at bank and cash on hand of the Hangzhou Honghui Group amounted to RMB42.2 million.

Cash inflows from operations of the Hangzhou Honghui Group were primarily generated from commission, lease and management and administrative service fee income from operating the vegetables market in Hangzhou. Cash outflows from operations were mainly for expenditures on other operating expenses, as well as income tax payments. Net cash generated from operating activities for the period from the date of establishment to 31 December 2017 was RMB3.2 million, all contributed by the cash inflow from operating activities as there was no income tax payment.

Net cash used in investing activities for the period from the date of establishment to 31 December 2017 was RMB834.5 million, primarily due to cash payment of RMB843.5 million in relation to the acquisition of an 100% equity interest in Hangzhou Vegetable, partially offset by proceeds of RMB31.0 million from redemption of investments in debt securities which were wealth management products issued by financial institutions in the PRC with guaranteed principal amounts plus fixed or variable returns.

Net cash generated from financing activities for the period from the date of establishment to 31 December 2017 was RMB873.5 million, attributable to the capital contributions of RMB600.0 million by the equity shareholders of Hangzhou Honghui and advance of RMB273.5 million from a related party, the former shareholder of Hangzhou Honghui.

As at 31 December 2017, the Hangzhou Honghui Group had net current liabilities of RMB185.5 million.

As at 31 December 2017, the Hangzhou Honghui Group did not have any interest-bearing borrowings.

Gearing Ratio

The gearing ratio of the Hangzhou Honghui Group, which is equal to interest-bearing borrowings over total assets as at 31 December 2017, was nil as it did not have any interest-bearing borrowings.

Significant Investment

In 2017, Hangzhou Honghui entered into agreements to acquire an 100% equity interest of Hangzhou Vegetable from 25 independent individuals and Hangzhou City Business Travel Group Co., Ltd. and Hangzhou Vegetable Co., Ltd. Trade Union Committee, all of which are independent third parties, for a cash consideration of RMB872.5 million. For details of Hangzhou Honghui's investment in subsidiaries as at 31 December 2017, please refer to Note 6 of the Accountants' Report on the Hangzhou Honghui Group in Part II of Appendix V to this circular.

Contingent Liabilities

Save as disclosed above, the Hangzhou Honghui Group did not have any other contingent liabilities as at 31 December 2017.

Commitments

The Hangzhou Honghui Group leases out its properties under operating lease as lessor. As at 31 December 2017, the expected minimum lease income under non-cancellable lease amounted to RMB8.6 million.

III. Hangzhou Changhai

Business Review

Hangzhou Changhai is principally engaged in the business operations of a seafood wholesale market in Hangzhou in which seafood are traded by the sellers and buyers. Hangzhou Changhai operates and manages the seafood wholesale market and collects lease income and management and administrative service fee from the sellers and buyers.

Results of Operations

Revenue

Revenue of Hangzhou Changhai primarily represents lease income from operating leases. The following table sets out the breakdown of revenue for the years indicated:

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Lease income	27,233	42,504	50,678

Revenue of Hangzhou Changhai increased by 56.1% from RMB27.2 million in 2015 to RMB42.5 million in 2016, and further increased by 19.2% to RMB50.7 million in 2017. The increases in revenue were primarily due to expansion in business scale.

Net Valuation Gain or Loss on Investment Properties

Net valuation gain for Hangzhou Changhai on investment properties for the years ended 31 December 2015 and 2016 was RMB16.4 million and RMB16.3 million, respectively. Net valuation loss for Hangzhou Changhai on investment properties for the year ended 31 December 2017 was RMB6.4 million.

Investment properties are land or buildings which are owned or held under a leasehold interest to earn lease income or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. They are stated at fair value and any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

Administrative Expenses

Administrative expenses of Hangzhou Changhai primarily consisted of personnel expenses, impairment losses and depreciation. For the years ended 31 December 2015, 2016 and 2017, administrative expenses of Hangzhou Changhai were RMB14.0 million, RMB8.3 million and RMB18.2 million, respectively. The decrease from 2015 to 2016 was primarily due to a decrease in impairment losses on amounts due from third parties. The increase from 2016 to 2017 was primarily due to an increase in impairment losses on amounts due from third parties.

Other Operating Expenses

For the years ended 31 December 2015, 2016 and 2017, other operating expenses of Hangzhou Changhai were RMB10.0 million, RMB12.4 million and RMB10.8 million, respectively.

Profit from Operations

Hangzhou Changhai derived its profit from operations by deducting net valuation gain or loss on investment properties, administrative expenses and other operating expenses from revenue and other income.

Profit from operations of the Hangzhou Changhai was RMB21.3 million in 2015, RMB39.9 million in 2016 and RMB16.1 million in 2017. The increase in profit from operations from 2015 to 2016 was mainly due to an increase in occupancy rate and general increase in rental rate. The decrease in profit from operations from 2016 to 2017 was mainly due to a significant increase in administrative expenses.

Finance Income and Expenses

Finance income of Hangzhou Changhai consisted of interest income which amounted to RMB2.9 million, RMB2.2 million and RMB90,000, respectively, for the years ended 31 December 2015, 2016 and 2017. The significant decrease in interest income in 2017 is mainly due to decrease in bank deposits.

Finance expenses of Hangzhou Changhai consisted of mainly interest on interest-bearing borrowings and, to a much lesser extent, bank charges and others. Finance expenses decreased from RMB45.7 million in 2015 to RMB40.5 million in 2016, and further to RMB32.6 million in 2017. These decreases were mainly attributable to decreases in interest expenses on interest-bearing borrowings in 2016 and 2017 due to the decreases in total outstanding borrowings from commercial banks and other financial institutions.

Net finance expenses of Hangzhou Changhai was RMB42.8 million, RMB38.3 million and RMB32.6 million, respectively, for the years ended 31 December 2015, 2016 and 2017.

Income Tax

Hangzhou Changhai was established in the PRC and was subject to PRC corporate income tax at a rate of 25% during each of the three years ended 31 December 2017. Income tax of Hangzhou Changhai was RMB6.1 million, RMB6.1 million and RMB0.4 million, respectively, for the years ended 31 December 2015, 2016 and 2017. The decrease in income tax in 2017 was primarily due to loss before taxation, partially offset by the effect of non-taxable expenses.

Loss for the Year

As a result of the foregoing, Hangzhou Changhai recorded a loss for the year in the amount of RMB27.6 million, RMB4.5 million and RMB16.9 million, respectively, for the years ended 31 December 2015, 2016 and 2017.

Liquidity and Financial Resources

Hangzhou Changhai financed working capital and capital expenditures principally through cash generated from operating activities, borrowings (mainly bank loans and loans from other financial institutions) and internal cash resources. As at 31 December 2017, cash at bank and on hand of Hangzhou Changhai amounted to RMB7.0 million.

Cash inflows from operations of Hangzhou Changhai were primarily generated from lease and management and administrative service fee income. Cash outflows from operations were mainly for expenditures on other operating expenses, as well as income tax payments. Net cash generated from operating activities in 2015, 2016 and 2017 was RMB12.4 million, RMB36.2 million and RMB25.5 million, respectively, all of which were contributed by the cash inflow from operating activities as there were no income tax payment.

Net cash used in investing activities in 2015 and 2016 were RMB12.3 million and RMB7.4 million, respectively, primarily due to (i) the increase in amounts due from third parties which are unsecured, non-interest bearing and has no fixed term of repayment and (ii) payments for the purchase of investment properties and property and equipment. Net cash generated from investing activities in 2017 was RMB28.1 million, primarily reflected the decrease in amounts due from third parties and interest received.

Net cash generated from financing activities in 2015 was RMB5.4 million which primarily reflected the proceeds from interest-bearing borrowings, partially offset by repayment of interest-bearing borrowings, decrease in amounts due to third parties and increase in restricted cash at bank. Net cash used in financing activities in 2016 was RMB24.6 million which primarily reflected the repayment of interest-bearing borrowings and interest paid, partially offset by proceeds from interest-bearing borrowings. Net cash used in financing activities in 2017 was RMB62.0 million which primarily reflected the repayment of interest-bearing borrowings and interest paid, partially offset by the proceeds from interest-bearing borrowings and decrease in restricted cash at bank.

As at 31 December 2015, 2016 and 2017, Hangzhou Changhai had net current liabilities of RMB110.7 million, RMB145.0 million and RMB152.2 million, respectively. The increase in net current liabilities from 2015 to 2016 was primarily due to the increase in amounts due to related parties and third parties. The further increase in net current liabilities from 2016 to 2017 was due to a significant decrease in current assets primarily attributable to the decrease in amount due from third parties and decrease in cash at bank since the restricted cash at bank decreased upon repayment of an interest-bearing borrowing to a financial institution in 2017.

As at 31 December 2017, total borrowings of Hangzhou Changhai amounted to RMB482.7 million. These included both short-term and long-term interest-bearing borrowings which are secured by investment properties or guaranteed by related parties or third parties or pledged by bank deposits. As at 31 December 2017, Hangzhou Changhai has banking facilities amounted to RMB523.2 million and RMB482.7 million were utilised.

Gearing Ratio

The gearing ratio of Hangzhou Changhai, which is equal to interest-bearing borrowings over total assets as at 31 December 2015, 2016 and 2017, was 112%, 103% and 110%, respectively.

Significant Investments

Hangzhou Changhai did not have any material equity investments as at 31 December 2015, 2016 and 2017.

Contingent Liabilities

Save as disclosed above, Hangzhou Changhai did not have any other contingent liabilities as at 31 December 2017.

Commitments

Hangzhou Changhai leases out its properties under operating lease as lessor and leases properties for the use by its seafood market operations under operating lease as lessee. As at 31 December 2017, the expected minimum lease income under non-cancellable lease amounted to RMB26.3 million and the expected minimum lease payments under non-cancellable operating leases amounted to RMB45.3 million.

IV. Hangzhou Vegetable Group

Business Review

Hangzhou Vegetable was established in Hangzhou, the PRC on 4 December 2006 and is a wholly-owned subsidiary of Hangzhou Honghui. Hangzhou Vegetable has been principally engaging in the business operations of a vegetable wholesale market in Hangzhou in which vegetables are traded by the sellers and buyers. Hangzhou Vegetable and its subsidiary comprise the Hangzhou Vegetable Group (the **Hangzhou Vegetable Group**) which operates and manages the said vegetable market and collects various incomes such as commission income, lease income and management and administrative service fee from the sellers and buyers.

Results of Operations

Revenue

Revenue of the Hangzhou Vegetable Group comprises (i) commission income generated from the wholesale market and (ii) lease income from operating leases in the vegetable market. The following table sets out the breakdown of revenue for the years indicated:

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Commission income	100,713	110,207	108,381
Lease income	17,799	20,104	19,411
	118,512	130,311	127,792

Revenue of the Hangzhou Vegetable Group increased by 10.0% from RMB118.5 million in 2015 to RMB130.3 million in 2016, and slightly decreased by 1.9% to RMB127.8 million in 2017. The increase in revenue from 2015 to 2016 was primarily due to the increased trading volume of the vegetable market which continued to expand in its business scale. The business remained stable in 2017.

Other income

Other income of the Hangzhou Vegetable Group comprises mainly (i) management and administrative service fee income; and (ii) government grants, and to a much lesser extent, net loss on disposal of property and equipment. For the years ended 31 December 2015, 2016 and 2017, other income amounted to RMB5.3 million, RMB5.2 million and RMB5.3 million, respectively.

Administrative expenses

Administrative expenses of the Hangzhou Vegetable Group primarily consisted of personnel expenses, depreciation and auditor's remuneration. For the years ended 31 December 2015, 2016 and 2017, administrative expenses of the Hangzhou Vegetable Group were RMB41.6 million, RMB42.4 million and RMB41.4 million, respectively. The administrative expenses remained stable for the three years ended 31 December 2017.

Other operating expenses

For the years ended 31 December 2015, 2016 and 2017, other operating expenses of the Hangzhou Vegetable Group were RMB17.0 million, RMB19.1 million and RMB18.8 million, respectively.

Profit from Operations

The Hangzhou Vegetable Group derived its profit or loss from operations by deducting all net valuation loss on investment properties, administrative expenses and other operating expenses from revenue and other income.

Profit from operations of the Hangzhou Vegetable Group was RMB65.0 million in 2015, RMB73.7 million in 2016 and RMB72.8 million in 2017. The increase in profit from operations from 2015 to 2016 was primarily due to an increase in trade volume of the vegetable market which lead to an increase in commission income. The profit from operations in 2017 remained stable.

Finance Income and Expenses

Finance income of the Hangzhou Vegetable Group consisted of (i) interest income on bank deposits; (ii) interest income on an entrusted loan to a third party; and (iii) interest or distribution income on investments in debt securities and available-for-sale financial assets. For the years ended 31 December 2015, 2016 and 2017, finance income of the Hangzhou Vegetable Group were RMB11.0 million, RMB11.0 million and RMB11.5 million, respectively. The increases in 2016 and 2017 were primarily due to increase in interest or distribution income on investments in debt securities and available-for-sale financial assets, partially offset by the decrease in interest income on bank deposits and on an entrusted loan to a third party.

Finance costs of the Hangzhou Vegetable Group consisted of bank charges and others which amounted to RMB58,000, RMB73,000 and RMB78,000 for the years ended 31 December 2015, 2016 and 2017, respectively.

Net finance income of the Hangzhou Vegetable Group for the years ended 31 December 2015, 2016 and 2017 were RMB10.9 million, RMB11.0 million and RMB11.4 million, respectively.

Income Tax

Each of the companies operating the Hangzhou Vegetable Group was established in the PRC and was subject to PRC corporate income tax at a rate of 25% during each of the three years ended 31 December 2017. For the years ended 31 December 2015, 2016 and 2017, income tax of the Hangzhou Vegetable Group amounted to RMB18.9 million, RMB21.5 million and RMB21.2 million, respectively. The increase in income tax from 2015 to 2016 and slight decrease from 2016 to 2017 was consistent with the sales trend of the Hangzhou Vegetable Group.

Profit for the Year

As a result of the foregoing, the Hangzhou Vegetable Group recorded a profit for the year in the amount of RMB57.0 million, RMB63.2 million and RMB63.1 million, respectively, for the years ended 31 December 2015, 2016 and 2017.

Liquidity and Financial Resources

The Hangzhou Vegetable Group financed working capital and capital expenditures principally through cash generated from operating activities and internal cash resources. As at 31 December 2017, cash at bank and on hand of the Hangzhou Vegetable Group amounted to RMB41.3 million.

Cash inflows from operations of the Hangzhou Vegetable Group were primarily generated from commission, lease and management and administrative service fee income. Cash outflows from operations were mainly for expenditures on personnel expenses and other operating expenses, as well as income tax payments. Net cash generated from operating activities in 2015 was RMB74.0 million, contributed by the cash inflow from operating activities of RMB92.4 million, partially offset by income tax payment of RMB18.3 million. Net cash generated from operating activities in 2016 was RMB61.8 million, contributed by the cash inflow from operating activities of RMB71.7 million, partially offset by income tax payment of RMB9.9 million. Net cash generated from operating activities in 2017 was RMB58.4 million, contributed by cash inflow from operating activities of RMB80.5 million, partially offset by the income tax payment of RMB22.1 million.

Net cash used in investing activities in 2015 was RMB2.9 million, primarily due to payments for an entrusted loan to a third party and payments for purchase of investments in debt securities, partially offset by proceeds from redemption of investments in debt securities and interest received. Net cash used in investing activities in 2016 was RMB67.0 million, primarily due to the payments for purchase of available-for-sale financial assets and payments for purchase of investments in debt securities, partially offset by proceeds from redemption of available-for-sale financial assets, proceeds from redemption of investments in debt securities and interest received. Net cash generated from investing activities in 2017 was RMB60.7 million, primarily reflected the repayment of an entrusted loan from a third party, proceeds from redemption of investments in debt securities and interest received, partially offset by the advances to a related party.

Net cash used in financing activity in 2015, 2016 and 2017, were RMB108.9 million, RMB43.6 million and RMB111.8 million, respectively, solely reflected distributions paid to equity shareholders of Hangzhou Vegetable.

As at 31 December 2015, 2016 and 2017, the Hangzhou Vegetable Group had net current assets of RMB107.6 million, RMB123.8 million and RMB87.1 million, respectively. The increase in net current asset from 2015 to 2016 was primarily due to (i) the increase in investments in debt securities which were wealth management products issued by financial institutions in the PRC with guaranteed principal amounts plus fixed or variable returns and (ii) the increase in available-for-sale financial assets which were investments in trust units with no guarantee of principal or returns, partially offset by the decrease in cash at bank. The decrease in net current assets from 2016 to 2017 was primarily due to decrease in amount due from a related party and investments in debt securities, coupled with the increase in payables to wholesalers and receipts in advance for part of the disposal proceeds in relation to the disposal of a piece of land located in Hangzhou.

As at 31 December 2017, the Hangzhou Vegetable Group did not have any borrowings.

Gearing Ratio

The gearing ratio of the Hangzhou Vegetable Group, which is equal to interest-bearing borrowings over total assets as at 31 December 2015, 2016 and 2017, were all nil as it did not have any interest-bearing borrowings for the respective years.

Significant Investments

The Hangzhou Vegetable Group did not have any material equity investments as at 31 December 2015, 2016 and 2017.

Contingent Liabilities

Save as disclosed above, the Hangzhou Vegetable Group did not have any other contingent liabilities as at 31 December 2017.

Commitments

The Hangzhou Vegetable Group leases out its properties under operating leases as lessor. As at 31 December 2017, the expected minimum lease income under non-cancellable lease amounted to RMB8.6 million.

V. Hangzhou Fruit-products Group

Business Review

Hangzhou Fruit-products was established in Hangzhou, the PRC on 18 June 2001 and is a subsidiary of Hangzhou Zhaorong. Hangzhou Fruit-products has been principally engaging in the business operations of a fruit wholesale market in Hangzhou in which fruits are traded by the sellers and buyers. Hangzhou Fruit-products and its subsidiary comprise the Hangzhou Fruit-products Group (the **Hangzhou Fruit-products Group**) which operates and manages the said fruit market and collects various incomes such as commission income, lease income and management and administrative service fee from the sellers and buyers.

Results of Operations

Revenue

Revenue of the Hangzhou Fruit-products Group comprises (i) commission income from management of the fruit wholesale market; (ii) lease income from operating leases in the fruit wholesale market; and (iii) sales of goods from the fruit wholesale market. The following table sets out the breakdown of revenue for the years indicated:

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Commission income	137,703	136,490	142,346
Lease income	12,257	14,218	16,680
Sales of goods	6,650	7,901	4,186
	156,610	158,609	163,212

Revenue of the Hangzhou Fruit-products Group increased by 1.3% from RMB156.6 million in 2015 to RMB158.6 million in 2016, and further by 2.9% to RMB163.2 million in 2017. The increases in revenue were primarily due to the increased trading volume of the fruit wholesale market as it continued to expand in business scale.

Gross profit and gross profit margin

Gross profit for the years ended 31 December 2015, 2016 and 2017 was RMB150.5 million, RMB151.5 million and RMB159.6 million, respectively. Gross profit margin for the years ended 31 December 2015, 2016 and 2017 was 96.1%, 95.5% and 97.8%, respectively. The Hangzhou Fruit-products Group maintained a consistently high gross profit margin in 2015, 2016 and 2017 since it has a relatively small cost of sales for its business operations.

Net Valuation Gain on an Investment Property

Net valuation gain for the Hangzhou Fruit-products Group on an investment property for the years ended 31 December 2015, 2016 and 2017 was RMB2.5 million, RMB6.4 million and RMB7.0 million, respectively. The investment property owned by the Hangzhou Fruit-products Group is located in the PRC.

Investment properties are land or buildings which are owned or held under a leasehold interest to earn lease income or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. They are stated at fair value and any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

Administrative expenses

Administrative expenses of the Hangzhou Fruit-products Group primarily consisted of personnel expenses, impairment losses, auditor's remuneration and depreciation. For the years ended 31 December 2015, 2016 and 2017, administrative expenses of the Hangzhou Fruit-products Group were RMB22.5 million, RMB102.0 million and RMB24.8 million, respectively. The administrative expenses significantly increased in 2016 were primarily due to impairment losses on interest in associates.

Other operating expenses

Other operating expenses primarily consisted of personnel expenses, operating lease charges, depreciation and repair and maintenance expenses. For the years ended 31 December 2015, 2016 and 2017, other operating expenses of the Hangzhou Fruit-products Group were RMB91.2 million, RMB98.3 million and RMB95.9 million, respectively.

Profit or Loss from Operations

The Hangzhou Fruit-products Group derived its profit or loss from operations by deducting all cost of sales, administrative expenses and other operating expenses and by adding net valuation gain on an investment property from revenue and other income.

Profit from operations of the Hangzhou Fruit-products Group was RMB39.8 million in 2015, loss from operations was RMB40.0 million in 2016 and profit from operations was RMB49.5 million in 2017. The loss from operations of the Hangzhou Fruit-products Group in 2016 was primarily due to the increase in administrative expenses. The profit from operations in 2017 was consistent with the sales trend.

Finance Income and Expenses

Finance income of the Hangzhou Fruit-products Group consisted of interest income which amounted to RMB4.8 million, RMB4.2 million and RMB5.9 million, respectively, for the years ended 31 December 2015, 2016 and 2017. The interest income was derived from advances to third parties with a fixed interest rates ranging from 5.35% to 6% per annum and are repayable within one year.

Finance expenses of the Hangzhou Fruit-products Group consisted of mainly interest expense on interest-bearing borrowings and, to a much lesser extent, bank charges and others. Finance expenses of the Hangzhou Fruit-products Group were RMB4.1 million, RMB3.0 million and RMB4.0 million, respectively, for the years ended 31 December 2015, 2016 and 2017. The decrease and increase in finance expenses were consistent with the total amount of interest-bearing borrowings for the respective years.

Net finance income of the Hangzhou Fruit-products Group was RMB0.8 million, RMB1.3 million and RMB1.9 million, respectively, for the years ended 31 December 2015, 2016 and 2017.

Income Tax

Each of the companies operating the Hangzhou Fruit-products Group was established in the PRC and was subject to PRC corporate income tax at a rate of 25% during each of the three years ended 31 December 2017. The income tax for the years ended 31 December 2015, 2016 and 2017 were RMB9.5 million, RMB10.0 million and RMB13.3 million, respectively. The increases in income tax were primarily due to the increase in profit before taxation. There was an increase in income tax in 2016 despite the loss before taxation which was mainly attributable to the effect on non-taxable expenses.

Profit or Loss for the Year

As a result of the foregoing, the Hangzhou Fruit-products Group recorded a profit for the year in the amount of RMB31.1 million in 2015, loss for the year in the amount of RMB49.5 million in 2016 and profit for the year in the amount of RMB38.1 million in 2017.

Liquidity and Financial Resources

The Hangzhou Fruit-products Group financed working capital and capital expenditures principally through cash generated from operating activities, borrowings (mainly bank loans) and internal cash resources. As at 31 December 2017, cash at bank and on hand of the Hangzhou Fruit-products Group amounted to RMB195.5 million.

Cash inflows from operations of the Hangzhou Fruit-products Group were primarily generated from commission, lease and management and administrative service fee income from managing and leasing of space at the fruit wholesale market. Cash outflows from operations were mainly for expenditures on personnel costs and other operating expenses, as well as income tax payments. Net cash generated from operating activities in 2015 was RMB44.0 million, contributed by the cash inflow from operating activities of RMB52.0 million, partially offset by income tax payment of RMB8.0 million. Net cash generated from operating activities in 2016 was RMB45.7 million, contributed by the cash inflow from operating activities of RMB56.7 million, partially offset by income tax payment of RMB11.0 million. Net cash generated from operating activities in 2017 was RMB33.5 million, contributed by cash inflow from operating activities of RMB49.9 million, partially offset by the income tax payment of RMB16.4 million.

Net cash used in investing activities in 2015 was RMB4.5 million, primarily due to payments for the purchase of property and equipment such as office equipment and vehicles, partially offset by interest received. Net cash used in investing activities in 2016 was RMB101.3 million, primarily due to (i) the payment for advances to an associate, namely Pinghu Agricultural Wholesale; (ii) the payments for acquisition of an associate, Pinghu Agricultural Wholesale; and (iii) an increase in amounts due from third parties, partially offset by interest received. Net cash generated from investing activities in 2017 was RMB147.7 million, primarily reflected (i) the proceeds from disposal of an investment property pursuant to a disposal agreement entered between Hangzhou Fruit-products and local government; (ii) a decrease in amounts due from third parties; and (iii) interest received, partially offset by payment for deposits for acquisition of a company engaged in seafood wholesale market business in the PRC.

Net cash used in financing activities in 2015 was RMB11.9 million, primarily reflected the repayment of interest-bearing borrowings and distributions paid to equity shareholders of Hangzhou Fruit-products, partially offset by the capital contributions by equity shareholders of Hangzhou Fruit-products. Net cash generated from financing activities in 2016 was RMB33.2 million, primarily reflected the proceeds from interest-bearing borrowings and capital contributions by equity shareholders of Hangzhou Fruit-products, partially offset by the repayment of interest-bearing borrowings and distributions paid to equity shareholders of Hangzhou Fruit-products. Net cash used in financing activities in 2017 was RMB72.5 million which primarily reflected the repayment of interest-bearing borrowings and distributions paid to equity shareholders of Hangzhou Fruit-products, partially offset by the proceeds from interest-bearing borrowings.

As at 31 December 2015, 2016 and 2017, the Hangzhou Fruit-products Group had net current assets of RMB25.1 million, net current liabilities of RMB40.2 million and net current liabilities of RMB30.1 million, respectively. The net current liabilities recorded in 2016 from net current assets in 2015 was primarily due to (i) an increase in distributions payables to equity shareholders of Hangzhou Fruit-products; (ii) an increase in secured bank loans and (iii) an increase in payables for deposits in relation to deposits paid by wholesalers for the privilege to renew, to sign and to secure the operating contracts. The decrease in net current liabilities recorded in 2017 was primarily due to an increase in cash at bank and an increase in investments in debt securities which were wealth management products issued by financial institutions in the PRC, partially offset by the receipts in advance of disposal proceeds in relation to the disposal of an investment property in Hangzhou.

As at 31 December 2017, total borrowings of the Hangzhou Fruit-products Group amounted to RMB30.0 million. These interest-bearing borrowings were all bank loans secured by certain properties with original maturity within 12 months, with fixed annually interest rates ranging from 3.96% to 4.68% for the years ended 31 December 2017.

Gearing Ratio

The gearing ratio of the Hangzhou Fruit-products Group, which is equal to interest-bearing borrowings over total assets as at 31 December 2015, 2016 and 2017, were 2.9%, 7.8% and 4.9%, respectively.

Significant Investments

Hangzhou Fruit-products entered into a sale and purchase agreement in 2016 to indirectly hold 24.47% effective interest in Pinghu Agricultural Wholesale, which own an agricultural products market in Zhejiang province, PRC, with the consideration of RMB30.0 million. Hangzhou Fruit-products also provided working capital of RMB50.0 million to Pinghu Agricultural Wholesale to meet the operational requirements of the said agricultural products market.

Contingent Liabilities

Save as disclosed above, the Hangzhou Fruit-products Group did not have any other contingent liabilities as at 31 December 2017.

Commitments

The Hangzhou Fruit-products Group has made capital commitments in respect of the remaining payments for the acquisition of a company in the PRC engaged in seafood wholesale market business. As at 31 December 2017, the amount of commitments contracted but not provided for in respect of such uses was RMB180.0 million.

The Hangzhou Fruit-products Group leases out its properties under operating lease as lessor and leases properties for the use by its fruit market operations under operating lease as lessee. As at 31 December 2017, the future minimum lease income under non-cancellable lease amounted to RMB120.6 million and the future minimum lease payments under non-cancellable operating leases amounted to RMB114.9 million.

The following is the text of a report set out on pages IV-1 to IV-48, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RENHE COMMERCIAL HOLDINGS COMPANY LIMITED

Introduction

We report on the Historical Financial Information relating to United Progress Group Limited (the "Hada Target Company") and its subsidiaries (together, the "Hada Target Group") set out on pages IV-3 to IV-48, which comprises the combined statements of financial position as at 31 December 2015, 2016 and 2017, the combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flow statements, for each of the years ended 31 December 2015, 2016 and 2017 (the "Track Record Periods"), and a summary of significant accounting policies together with the explanatory notes (the "Historical Financial Information"), for inclusion in the circular of Renhe Commercial Holdings Company Limited (the "Company") dated 29 June 2018 (the "Circular") in connection with the acquisition of the entire issued share capital of the Hada Target Company, which controls the Hada Target Group as at the date of the Circular (the "Hada Acquisition").

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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 (the "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 Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information 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.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Hada Target Group's combined financial position as at 31 December 2015, 2016 and 2017 and of the Hada Target Group's combined financial performance and cash flows for the Track Record Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

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

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 June 2018

HISTORICAL FINANCIAL INFORMATION OF THE HADA TARGET GROUP

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

The combined financial statements of the Hada Target Group for the Track Record Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Combined statements of profit or loss
(Expressed in Renminbi ("RMB"))

		Years ended 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*4a*	539,606	102,852	99,523
Cost of sales		(3,142)	(4,886)	(3,774)
Gross profit		536,464	97,966	95,749
Other net income/(expense)	*5*	68,835	7,758	(2,591)
Valuation losses on investment properties	*11*	—	(82,749)	(28,305)
Administrative expenses		(302,267)	(44,912)	(49,764)
Other operating expenses		(17,601)	(329)	(1,294)
Profit/(loss) from operations		285,431	(22,266)	13,795
Finance income		783,922	853,085	1,183,981
Finance expenses		(949,941)	(1,053,429)	(1,221,717)
Net finance expenses	*6(a)*	(166,019)	(200,344)	(37,736)
Profit/(loss) before taxation	*6*	119,412	(222,610)	(23,941)
Income tax	*7*	(52,746)	(16,369)	(29,694)
Profit/(loss) for the year		66,666	(238,979)	(53,635)

The accompanying notes form part of the Historical Financial Information.

Combined statements of profit or loss and other comprehensive income
(Expressed in RMB)

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) the year	66,666	(238,979)	(53,635)
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations	(214,905)	(234,708)	242,453
Total comprehensive income for the year	(148,239)	(473,687)	188,818

The accompanying notes form part of the Historical Financial Information.

Combined statements of financial position
(Expressed in RMB)

		At 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property and equipment	*10*	22,949	26,425	20,174
Investment properties	*11*	952,326	959,035	929,634
Intangible assets	*12*	21,599	16,966	12,820
Deferred tax assets	*18(b)*	918,837	902,632	874,145
Total non-current assets		1,915,711	1,905,058	1,836,773
Current assets				
Inventories		3,157	2,963	2,018
Prepayments and other receivables	*13*	15,512,730	21,180,197	16,547,921
Cash at bank and on hand	*14*	674,267	433,749	1,825,254
Total current assets		16,190,154	21,616,909	18,375,193
Current liabilities				
Trade and other payables	*15*	6,579,586	9,618,782	5,662,913
Interest-bearing borrowings	*16*	7,519,286	7,578,745	11,986,900
Taxation	*18(a)*	6,076	7,083	6,632
Total current liabilities		14,104,948	17,204,610	17,656,445
Net current assets		2,085,206	4,412,299	718,748
Total assets less current liabilities		4,000,917	6,317,357	2,555,521

The accompanying notes form part of the Historical Financial Information.

Combined statements of financial position (continued)
(Expressed in RMB)

		At 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Interest-bearing borrowings	*16*	5,791,797	8,580,000	4,634,000
Deferred income	*17*	558,784	560,708	556,054
Total non-current liabilities		6,350,581	9,140,708	5,190,054
Net liabilities		2,349,664	2,823,351	2,634,533
Total equity-deficit		(2,349,664)	(2,823,351)	(2,634,533)

The accompanying notes form part of The Historical Financial Information.

Combined statements of changes in equity
(Expressed in RMB)

	Note	Share capital	Other reserve	PRC statutory reserve	Exchange reserves	Accumulated gain/(losses)	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		20(a)	*20(b)(i)*	*20(b)(ii)*	*20(b)(iii)*		
Balance at 1 January 2015		—	(25,000)	201,461	(827,962)	5,807,140	5,155,639
Changes in equity for 2015							
Profit for the year		—	—	—	—	66,666	66,666
Other comprehensive income		—	—	—	(214,905)	—	(214,905)
Total comprehensive income		—	—	—	(214,905)	66,666	(148,239)
Transfer to reserve fund	*20(b)(ii)*	—	—	15,680	—	(15,680)	—
Deemed distribution to shareholders	*20(b)(iv)*	—	—	—	—	(7,357,064)	(7,357,064)
Balance at 31 December 2015 and 1 January 2016		—	(25,000)	217,141	(1,042,867)	(1,498,938)	(2,349,664)

The accompanying notes form part of The Historical Financial Information.

Combined statements of changes in equity (continued)
(Expressed in RMB)

	Note	Share capital	Other reserve	PRC statutory reserve	Exchange reserves	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		20(a)	*20(b)(i)*	*20(b)(ii)*	*20(b)(iii)*		
Balance at 1 January 2016		—	(25,000)	217,141	(1,042,867)	(1,498,938)	(2,349,664)
Changes in equity for 2016							
Loss for the year		—	—	—	—	(238,979)	(238,979)
Other comprehensive income		—	—	—	(234,708)	—	(234,708)
Total comprehensive income		—	—	—	(234,708)	(238,979)	(473,687)
Transfer to reserve fund	*20(b)(ii)*	—	—	345	—	(345)	—
Balance at 31 December 2016 and 1 January 2017		—	(25,000)	217,486	(1,277,575)	(1,738,262)	(2,823,351)

The accompanying notes form part of The Historical Financial Information.

Combined statements of changes in equity (continued)
(Expressed in RMB)

		Share capital	Other reserve	PRC statutory reserve	Exchange reserves	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note	*20(a)*	*20(b)(i)*	*20(b)(ii)*	*20(b)(iii)*		
Balance at 1 January 2017		—	(25,000)	217,486	(1,277,575)	(1,738,262)	(2,823,351)
Changes in equity for 2017							
Loss for the year		—	—	—	—	(53,635)	(53,635)
Other comprehensive income		—	—	—	242,453	—	242,453
Balance at 31 December 2017		—	(25,000)	217,486	(1,035,122)	(1,791,897)	(2,634,533)

The accompanying notes form part of The Historical Financial Information.

Combined cash flow statements
(Expressed in RMB)

		Years ended 31 December		
		2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Profit/(loss) for the year		66,666	(238,979)	(53,635)
Adjustments for:				
Depreciation	*6(c)*	24,163	4,993	5,992
Amortisation	*6(c)*	4,991	4,633	4,099
Impairment loss on prepayments and other receivables	*6(c)*	118,332	—	—
Finance expenses	*6(a)*	948,943	1,052,909	1,221,679
Finance income	*6(a)*	(783,922)	(853,085)	(1,183,981)
Government grants	*17*	(3,046)	(4,377)	(4,654)
Valuation losses on Investment properties	*11*	—	82,749	28,305
Net loss/(gain) on disposal of property and equipment and investment properties	*5*	1,470	(501)	12,426
Income tax	*7*	52,746	16,369	29,694
Changes in working capital:				
Decrease in inventories		342	194	945
(Increase)/decrease in prepayments and other receivables		(229,073)	9,428	(2,820)
(Decrease)/increase in trade and other payables		(336,692)	(1,171)	9,910
Cash (used in)/generated from operating activities		(135,080)	73,162	67,960
Income tax (paid)/refund	*18(a)*	(65,890)	843	(1,658)
Net cash (used in)/generated from operating activities		(200,970)	74,005	66,302

The accompanying notes form part of the Historical Financial Information.

Combined cash flow statements (continued)
(Expressed in RMB)

		Years ended 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Investing activities				
Payment for purchase of property and equipment		(14,943)	(98,021)	(26,627)
Increase in time deposit with banks		(400,000)	—	(1,400,000)
Net (increase)/decrease in amounts due from related parties		(6,003,759)	(5,705,230)	4,663,060
Net decrease in amounts due from third parties		1,450,329	68,982	43,878
Government grant received	*17*	7,900	6,301	—
Interest received		779,957	857,050	1,146,017
Proceeds from disposal of property and equipment and investment properties		24,961	595	15,603
Net cash (used in)/generated from investing activities		(4,155,555)	(4,870,323)	4,441,931
Financing activities				
Proceeds from interest-bearing borrowings		6,764,000	10,740,000	7,464,900
Repayment of interest-bearing borrowings		(3,058,700)	(7,892,338)	(7,002,745)
Net increase/(decrease) in amounts due to related parties		1,761,083	2,761,047	(3,757,204)
Interest paid		(948,943)	(1,052,909)	(1,221,679)
Net cash generated from/(used in) financing activities		4,517,440	4,555,800	(4,516,728)

The accompanying notes form part of the Historical Financial Information.

Combined cash flow statements (continued)
(Expressed in RMB)

		Years ended 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Net increase/(decrease) in cash and cash equivalents		160,915	(240,518)	(8,495)
Cash and cash equivalents at 1 January		113,352	274,267	33,749
Cash and cash equivalents at 31 December	*14(a)*	274,267	33,749	25,254

The accompanying notes form part of the Historical Financial Information.

NOTES TO HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Pursuant to the announcement dated 5 June 2018 (the "Announcement"), the Company proposed to acquire and New Amuse Limited ("New Amuse" or one of the "Vendors") proposed to sell the entire share capital of Hada Target Company, a company holds the Hada Target Group which in turn holds the land and properties of the seven agricultural produce wholesale markets (the "Markets").

The Hada Target Company was incorporated in the British Virgin Islands ("BVI") on 22 March 2018 which is an investment holding company and has not carried on any business since the date of its incorporation save for the reorganisation described below. The Hada Target Company and its subsidiaries set out below are principally engaged in operating and managing seven agricultural produce wholesale markets (the "Markets") in PRC (the "Hada Target Business").

Prior to the incorporation of the Hada Target Company, the above mentioned Markets were owned by and the Hada Target Business was carried out by various companies in the PRC (the "PRC Landlord Companies"), controlled by New Amuse. In addition, the PRC Landlord Companies also owned certain entities which are engaging in businesses that are dissimilar from the Hada Target Business (the "Other Businesses") or dormant companies.

To facilitate the Hada Acquisition, the Hada Target Group underwent a corporate reorganisation (the "Reorganisation") which principally involved the followings:

(i) The Hada Target Company was incorporated in the BVI by New Amuse;

(ii) New Amuse transferred its entire equity interests in Crest Support Limited, Guan Wang Limited, Ming Gao Limited, Perfect Elements Express Limited, Toppy Stage Limited, Bumper Rise Limited and Blossom Season Limited (collectively as the "Original BVI Holding Companies"), which indirectly held the entire equity interests in the PRC Landlord Companies; and

(iii) Completion of disposals of the Other Businesses.

Upon completion of the Reorganisation, the Hada Target Company became the holding company of the companies now comprising the Hada Target Group.

Prior to and after the Reorganisation, the companies now comprising the Hada Target Group were under the common control of New Amuse and there has been a continuation of risks and benefits on the Hada Target Business to New Amuse that exists prior to the Reorganisation. Accordingly, the Historical Financial Information has been prepared using the merger basis of accounting by including the Historical Financial Information of the companies engaged in the Hada Target Business, under the common control of New Amuse immediately before and after the Reorganisation and now comprising the Hada Target Group, as if the current group structure had been in existence throughout the periods presented.

The net assets of the combining companies were combined using the existing book values from New Amuse's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of New Amuse's interests.

The combined statements of profit or loss, combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Hada Target Group for the Track Record Periods as set out in this report include the financial performance and cash flows of the companies now comprising the Hada Target Group (or where the companies were incorporated or under common control of New Amuse at a date later than 1 January 2015, for the period from the date of incorporation or the date under common control to 31 December 2017) as if the current group structure had been in existence throughout the Track Record Periods. The combined statements of financial position of the Hada Target Group as at 31 December

2015, 2016 and 2017 as set out in this report have been prepared to present the financial position of the companies now comprising the Hada Target Group as at those dates as if the current group structure had been in existence as at the respective dates.

Intra-group balances and transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, Hada Target Company had direct or indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of entity	Notes	Place and date of establishment	Particulars of issued and paid-up capital	Percentage of interest attributable to the parent's net investment		Principal activities
				Direct	Indirect	
Harbin Hada Agricultural and Sideline Products Joint Stock Company Limited ("Harbin Hada") (哈爾濱哈達農副產品股份有限公司)	(ii)	Harbin the PRC 29 March 2002	RMB154,000,000	—	100%	Agricultural Produce Market
Harbin Youyi Warehouse Company Limited ("Harbin Youyi") (哈爾濱友誼倉儲有限責任公司)	(ii)	Harbin the PRC 25 April 2005	RMB 45,000,000	—	100%	Agricultural Produce Market
Shouguang Agri-Products Logistics Park Company Limited ("Shouguang Logistics") (壽光農產品物流園有限公司)	(iii)	Shouguang the PRC 26 December 2008	USD229,300,000	—	100%	Agricultural Produce Market
Shenyang Dili Agricultural and Sideline Products Company Limited ("Shenyang Dili") (瀋陽地利農副產品有限公司)	(iii)	Shenyang the PRC 21 December 2010	RMB800,000,000	—	100%	Agricultural Produce Market
Shenyang Jindongmao Property Company Limited ("Shenyang Jindongmao") (瀋陽金東貿置業有限公司)	(iii)	Shenyang the PRC 26 December 2006	USD95,000,000	—	100%	Agricultural Produce Market
Mudanjiang Muda Agricultural and Sideline Products Company Limited ("Mudanjiang Muda") (牡丹江牡達農副產品有限公司)	(ii)	Mudanjiang the PRC 28 December 2009	USD30,000,000	—	100%	Agricultural Produce Market
Guiyang Dili Agri-Products Logistics Park Company Limited ('Guiyang Dili") (貴陽地利農產品物流園有限公司)	(ii)	Guiyang the PRC 15 November 2010	USD30,000,000	—	100%	Agricultural Produce Market
Qiqihar Hada Agricultural and Sideline Products Company Limited ("Qiqihar Hada") (齊齊哈爾哈達農副產品有限公司)	(ii)	Qiqihar the PRC 14 August 2008	RMB50,000,000	—	100%	Agricultural Produce Market
Liaoning Yindali Property Investment Company Limited ("Liaoning Yindali") (遼寧銀達利置業投資有限公司)	(iii)	Shenyang the PRC 25 January 2007	RMB20,000,000	—	100%	Agricultural Produce Market
Crest Support Limited		the BVI 26 May 2010	USD1	100%	—	Investment holding
Guan Wang Limited		the BVI 26 May 2010	USD1	100%	—	Investment holding
Ming Gao Limited		the BVI 26 May 2010	USD1	100%	—	Investment holding
Perfect Elements Express Limited		the BVI 28 December 2011	USD1	100%	—	Investment holding
Toppy Stage Limited		the BVI 30 August 2010	USD1	100%	—	Investment holding
Bumper Rise Limited		the BVI 15 September 2010	USD1	100%	—	Investment holding
Blossom Season Limited		the BVI 1 December 2009	USD1	100%	—	Investment holding
Fine Creative Limited		Hong Kong 26 May 2010	HKD1	—	100%	Investment holding

Name of entity	Notes	Place and date of establishment	Particulars of issued and paid-up capital	Percentage of interest attributable to the parent's net investment		Principal activities
				Direct	Indirect	
Great Spread Corporation Limited		Hong Kong 26 May 2010	HKD1	—	100%	Investment holding
Honour Most Limited		Hong Kong 26 May 2010	HKD1	—	100%	Investment holding
Royal Future Limited		Hong Kong 19 July 2011	HKD1	—	100%	Investment holding
City Hero International Limited		Hong Kong 8 December 2009	HKD1	—	100%	Investment holding
Lucky Base Limited		Hong Kong 28 July 2010	HKD1	—	100%	Investment holding
Able Vantage Limited		Hong Kong 17 December 2009	HKD1	—	100%	Investment holding
Ola Ola (Hong Kong) Limited		Hong Kong 23 December 2011	HKD10,000	—	100%	Investment holding

(i) The English translation of the names are for reference only. The official names of these entities are in Chinese.

(ii) The statutory audit of these entities for the year ended 31 December 2015, 2016 and 2017 have been audited in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

(iii) For the year ended 31 December 2015, 2016 and 2017, no audited statutory financial statements have been prepared for these entities.

All companies comprising the Hada Target Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Hada Target Group has adopted all applicable new and revised IFRSs to the Track Record Periods, except for any new standards or interpretations that are not yet effective for the accounting year ended 31 December 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2017 are set out in Note 24.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

As at 31 December 2017, Hada Target Group had net liabilities of RMB2,634,533,000 including amounts due to the immediate holding companies RMB3,458,581,000 which have been subsequently settled as loan capitalisation as at the date of this Historical Financial Information as set out in Note 15(i). The Historical Financial Information has been prepared on a going concern basis notwithstanding the above mentioned conditions, because the Hada Target Group's immediate holding company, New Amuse Limited, has confirmed that it will provide continuous financial support to Hada Target Group within the next twelve months after the end of the reporting date or before the completion of the Hada Acquisition, in order to enable it to meet its liabilities as and when they fall due. Meanwhile, based on a detailed review of the working capital forecast of the Hada Target Group for the year ending 31 December 2018, the Hada Target Group will have necessary liquid funds to finance its working capital and capital expenditure requirements. Accordingly, the directors of the Company consider it is appropriate to prepare the financial statements on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment property is stated at its fair value as explained in the accounting policies set out in Note 2(e).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Functional and presentation currency

The Historical Financial Information are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying on the principal activities of the Hada Target Group.

(d) Subsidiaries

Subsidiaries are entities controlled by the Hada Target Group. The Hada Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Hada Target Group has power, only substantive rights (held by the Hada Target Group and other parties) are considered.

An investment in a subsidiary is combined into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Hada Target Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts within combined equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Hada Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

(e) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(h)) to earn lease income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Lease income from investment properties is accounted for as described in Note 2(r)(i).

When the Hada Target Group holds a property interest under an operating lease to earn lease income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see Note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 2(h).

(f) Property and equipment

(i) Recognition and measurement

Items of property and equipment and leasehold improvements are measured at cost less accumulated depreciation and accumulated impairment losses (see Note 2(i)(ii)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the component will flow to the Hada Target Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives for current and comparative years are as follows:

• Land and buildings	30–40 years
• Fixtures and furniture	5–10 years
• Office equipment	5–10 years
• Vehicles	5–20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Hada Target Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(i)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Software	3–10 years

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Hada Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Hada Target Group

Assets that are held by the Hada Target Group under leases which transfer to the Hada Target Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Hada Target Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see Note 2(e)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Hada Target Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Hada Target Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised as property and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Hada Target Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(f). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(i)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Hada Target Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent leases are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see Note 2(e)) or is held for development for sale.

(i) Impairment of assets

(i) Impairment of other receivables

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Hada Target Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within prepayments and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Hada Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— Property and equipments and

— Intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash- generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

Trading goods

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any written-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Prepayments and other receivables

Prepayments and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment for doubtful debts (see Note 2(i)(i)), except where the receivables are interest-free loans made to related parties or third parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(q)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Terminate benefits

Termination benefits are recognised at the earlier of when the Hada Target Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Hada Target Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(e), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Hada Target Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Hada Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Hada Target Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Hada Target Group's policies applicable to that category of asset, where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(q)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Hada Target Group under the guarantee, and (ii) the amount of that claim on the Hada Target Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Hada Target Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure excepted to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Hada Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Lease income from operating lease

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised in profit or loss as an integral part of the total lease income, over the term of lease. Contingent leases are recognised as income in the accounting period in which they are earned.

(ii) Commission income

Commission income from lease and management of agriculture wholesale market is recognised in profit or loss on a straight-line basis over the period in which the goods are traded in the agriculture wholesale market.

(iii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iv) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Hada Target Group will comply with the conditions attaching to them. Grants that compensate the Hada Target Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Hada Target Group for the cost of an asset are recognised as deferred income and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of each reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Hada Target Group if that person:

(i) has control or joint control over the Hada Target Group;

(ii) has significant influence over the Hada Target Group; or

(iii) is a member of the key management personnel of the Hada Target Group or the Hada Target Group's parent.

(b) An entity is related to the Hada Target Group if any of the following conditions applies:

(i) The entity and the Hada Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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 Hada Target Group or an entity related to the Hada Target Group.

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Hada Target Group or to the Hada Target Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 21 contains information about the assumptions and their risk factors relating to financial risk management and fair values of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment losses for bad and doubtful debts

The Hada Target Group estimate impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Hada Target Group base the estimates on the aging of the receivable balance, debtors' creditworthiness, and write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment losses of non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered ''impaired'', and an impairment loss may be recognised in accordance with the accounting policy as set out in Note 2(i)(ii). The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. Hada Target Group use all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Depreciation

Property and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Hada Target Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the Track Record Periods. The useful lives are based on these companies' experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Hada Target Group and requires a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(e) Taxes

The Hada Target Group files taxes in numerous tax authorities. Judgement is required in determining the amount of tax provisions. There are many transactions and calculating for which the ultimate tax determination is uncertain during the course of business. The ultimate tax determination therefore might be different from the amount of tax provisions made in the Historical Financial Information.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue primarily represents operating lease income, commission income and sales of goods from the wholesale markets. The amounts of each significant category of revenue and net income recognised during the Track Record Periods are as follows:

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Operating lease	167,910	94,814	93,772
Commission income	365,320	—	—
Sales of goods	6,376	8,038	5,751
	539,606	102,852	99,523

For the years ended 31 December 2015, 2016 and 2017, as a result of framework lease agreement signed between PRC subsidiaries of the Company (the "PRC Operating Companies") and PRC Landlord Companies, the PRC Operating Companies were the Hada Target Group's customers whose transactions had exceeded 10% of Hada Target Group's revenue.

Details of the concentration of credit risk arising from Hada Target Group's customers are set out in Note 21(a).

(b) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Hada Target Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Hada Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Hada Target Group manages its business in a single segment as most senior executive management assesses performance and allocates resources on a group basis. Accordingly, no operating segment information is presented.

As the Hada Target Group's operations are all located in the PRC, no geographic segment reporting is presented.

5 OTHER NET INCOME/(EXPENSE)

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Markets service fee income	61,313	—	—
(Loss)/gain on disposal of property and equipment and investment properties	(1,470)	501	(12,426)
Government grants	7,053	6,417	6,683
Others	1,939	840	3,152
	68,835	7,758	(2,591)

6 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Net finance expenses

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Finance income			
— Interest income on bank deposits	7,767	21,305	52,689
— Interest income on receivable from related parties	776,155	831,780	1,131,292
	783,922	853,085	1,183,981
Finance expenses			
— Interest expenses on interest-bearing borrowings	(948,943)	(1,052,909)	(1,221,679)
— Bank charges and other finance costs	(998)	(520)	(38)
	(949,941)	(1,053,429)	(1,221,717)
	(166,019)	(200,344)	(37,736)

(b) Personnel expenses

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and other benefits	66,517	3,669	2,828
Contributions to defined contribution retirement plans	6,704	136	159
	73,221	3,805	2,987

(c) Other items

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation *(Note 10)*	24,163	4,993	5,992
Amortisation	4,991	4,633	4,099
Operation lease charges	9,947	—	—
Repair and maintenance	18,231	801	1,306
Auditor's remuneration	315	318	1,605
Impairment losses on other receivables (i)	118,332	—	—

(i) As at 31 December 2015, other receivable of RMB118,332,000 were individually determined to be impaired. The individually impaired receivables related to balances that management assessed not to be recovered based on available information.

7 INCOME TAX IN THE COMBINED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the combined statements of profit or loss

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Current tax *(Note 18(a))*			
Provision for the year	52,716	164	1,207
Deferred tax			
Origination and reversal of temporary differences *(Note 18(b))*	30	16,205	28,487
	52,746	16,369	29,694

(i) Certain entities of the Hada Target Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% during the Track Record Periods.

(ii) Certain entities of the Hada Target Group incorporated in the British Virgin Islands (the "BVI") are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iii) Certain entities of the Hada Target Group incorporated in the PRC (excluding Hong Kong) are subject to the PRC Corporate Income Tax rate of 25% during the Track Record Periods.

(b) Reconciliations between tax expense and accounting profit/(loss) at applicable tax rate:

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation	119,412	(222,610)	(23,941)
National tax on loss before tax, calculated at PRC corporate income tax rate	29,853	(55,653)	(5,985)
Tax effect on non-deductible expenses	618	725	148
Tax effect of unused tax losses not recognised	17,256	53,805	22,726
Tax effect of temporary differences not recognised	36,993	17,392	24,169
Tax effect of tax losses utilised while not recognised in prior years	—	—	(11,231)
Others	(31,974)	100	(133)
	52,746	16,369	29,694

8 DIRECTORS' REMUNERATION

The directors believe the presentation of such information is not meaningful for the purpose of this Historical Financial Information.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The directors believe the presentation of such information is not meaningful for the purpose of this Historical Financial Information.

10 PROPERTY AND EQUIPMENT

	Land and buildings *RMB'000*	Fixtures and furniture *RMB'000*	Office equipment *RMB'000*	Vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2015	2,514,844	24,063	86,269	15,495	241,926	2,882,597
Additions	3,270	816	9,484	809	2,426	16,805
Transfer to investment properties *(Note 11)*	(2,504,519)	(773)	(48,787)	—	(18,283)	(2,572,362)
Disposals	—	(16,105)	(23,409)	(6,520)	—	(46,034)
At 31 December 2015 and 1 January 2016	13,595	8,001	23,557	9,784	226,069	281,006
Additions	—	130	7,657	776	—	8,563
Disposals	—	—	(496)	(69)	—	(565)
At 31 December 2016 and 1 January 2017	13,595	8,131	30,718	10,491	226,069	289,004
Additions	—	760	279	—	1,455	2,494
Disposals	—	(7,242)	(8,895)	(404)	—	(16,541)
At 31 December 2017	13,595	1,649	22,102	10,087	227,524	274,957
Accumulated depreciation and impairment loss						
At 1 January 2015	(246,226)	(10,237)	(28,462)	(10,654)	(226,069)	(521,648)
Charge for the year *(Note 6(c))*	(16,656)	(1,703)	(4,687)	(1,117)	—	(24,163)
Transfer to investment properties *(Note 11)*	261,088	166	6,897	—	—	268,151
Written back on disposals	—	7,839	8,396	3,368	—	19,603
At 31 December 2015 and 1 January 2016	(1,794)	(3,935)	(17,856)	(8,403)	(226,069)	(258,057)
Charge for the year *(Note 6(c))*	(323)	(764)	(3,416)	(490)	—	(4,993)
Written back on disposals	—	—	404	67	—	471
At 31 December 2016 and 1 January 2017	(2,117)	(4,699)	(20,868)	(8,826)	(226,069)	(262,579)
Charge for the year *(Note 6(c))*	(323)	(469)	(4,726)	(474)	—	(5,992)
Written back on disposals	—	5,016	8,376	396	—	13,788
At 31 December 2017	(2,440)	(152)	(17,218)	(8,904)	(226,069)	(254,783)
Net book value:						
At 31 December 2015	11,801	4,066	5,701	1,381	—	22,949
At 31 December 2016	11,478	3,432	9,850	1,665	—	26,425
At 31 December 2017	11,155	1,497	4,884	1,183	1,455	20,174

11 INVESTMENT PROPERTIES

	RMB'000
At fair value:	
At 1 January 2015	8,417,000
Transfer from property and equipment	2,304,211
Change in fair value	(9,768,885)
At 31 December 2015	952,326
Additions	89,458
Change in fair value	(82,749)
At 31 December 2016	959,035
Additions	24,133
Change in fair value	(28,305)
Disposals	(25,229)
At 31 December 2017	929,634

Notes:

(i) As result of lease agreements signed in July 2015, all of the investment properties have been leased to the PRC operating companies for 20 years. The annual rent was fixed at RMB100 million per year for the period from 27 July 2015 (being the completion date of the acquisition in 2015) to 31 December 2018. It was agreed between the parties that the subsequent annual rent shall be increased at a rate of 5% every 3 calendar years thereafter, until the expiry of the lease agreement on 31 December 2035. The rent was favourable as compared with the fair value of market rent, the fair value of investment properties experienced a significant decline based on the lease agreement since the date of its effective.

(ii) All of the investment properties owned by the Hada Target Group are located in the PRC.

(iii) As at 31 December 2015, 2016 and 2017, certain of investment properties were pledged as securities for bank loans, which had an aggregate carrying value of RMB 594,013,000, RMB 611,348,000, RMB 522,234,000 respectively.

(iv) As at 31 December 2015, 2016 and 2017, the Hada Target Group is in the process of applying for registration of the ownership certificates for certain of its investment properties, with a total original cost of RMB684,197,000, RMB716,471,000, RMB865,010,000 as at 31 December 2015, 2016, and 2017, respectively. The directors are of the opinion that the Hada Group is entitled to lawfully occupy or use these investment properties.

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the properties measured at the end of each reporting period at recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The investment properties were measured using Level 3 valuations during the Track Record Periods. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The accounting policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All investment properties of the Hada Target Group were revalued at 31 December, 2015, 2016 and 2017. The valuations were carried out by an independent firm of surveyors, BMI Appraisal and Advisory Limited (''BMI''), who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The Hada Target Group's property manager and the financial manager have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting period.

(ii) Information about Level 3 fair value measurement

	Valuation techniques	**Unobservable input**	**Weighted average**
Investment properties — Mainland China	Discounted cash flow	Risk-adjusted discount rate	2015: 10.35% 2016: 10.40% 2017: 10.85%
		Expected market rental growth	2015: 1.67% 2016: 1.67% 2017: 1.67%

The fair value of investment properties is determined by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account expected income growth of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the expected income growth and negatively correlated to the risk-adjusted discount rates.

(b) Assets leased out under operating leases

The Hada Target Group leases out investment properties under operating leases. The leases typically run for an initial period of 20 years, with an option to renew the lease after that data at which time all terms are renegotiated. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	100,000	100,000	100,000
After 1 years but within 5 years	437,273	454,951	472,628
After 5 years	1,772,513	1,654,437	1,536,361
	2,309,786	2,209,388	2,108,989

12 INTANGIBLE ASSETS

	Software
	RMB'000
Cost:	
At 1 January 2015	32,290
Additions	2,494
Transfer from construction in progress	886
Disposals	(5,681)
At 31 December 2015 and 31 December 2016	29,989
At 1 January 2017	29,989
Disposals	(1,034)
At 31 December 2017	28,955
Accumulated amortisation:	
At 1 January 2015	(3,838)
Charge for the year	(26,312)
Written back on disposals	21,760
At 31 December 2015	(8,390)
At 1 January 2016	(8,390)
Charge for the year	(25,954)
Written back on disposals	21,321
At 31 December 2016	(13,023)
At 1 January 2017	(13,023)
Charge for the year	(4,098)
Written back on disposals	986
At 31 December 2017	(16,135)
Net book value:	
At 31 December 2015	21,599
At 31 December 2016	16,966
At 31 December 2017	12,820

13 PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	24,968	4,225	2,283
Interest receivable	3,965	—	37,964
Amounts due from related parties *(i)*	15,394,305	21,099,535	16,436,475
Tax recoverable	29,734	20,550	23,193
Others	59,758	55,887	48,006
	15,512,730	21,180,197	16,547,921

Notes:

(i) Amount due from related parties are unsecured, bear interest rates ranging from 4.35% to 10.15% per annum. All the balances should be settled before or upon the completion of Hada Acquisition as it was one of the conditional precedent of the Hada Acquisition.

(ii) Except as disclosed in Note (i), the prepayments and other receivables are interest-free and expected to be recovered or recognised as expense within one year.

14 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand comprise:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	83	69	102
Cash at bank	674,184	433,680	1,825,152
	674,267	433,749	1,825,254
Representing:			
— Cash and cash equivalents	274,267	33,749	25,254
— Time deposits with original maturity over three months	400,000	400,000	1,800,000

As at 31 December 2015, 2016 and 2017, certain of time deposits were pledged as securities for interest-bearing borrowings, which had an aggregate carrying value of RMB400,000,000, RMB400,000,000, RMB1,800,000,000 respectively.

(b) Reconciliation of liabilities arising from financing activities

	Interest-bearing borrowings	Trade and other payables — Interest payables	Trade and other payables — Amount due to related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	9,605,783	—	1,059,439	10,665,222
Changes from financing cash flows:				
Proceeds from borrowings	6,764,000	—	—	6,764,000
Repayment of borrowings	(3,058,700)	—	—	(3,058,700)
Borrowing costs paid	—	(948,943)	—	(948,943)
Net increase in amounts due to related parties	—	—	1,764,789	1,764,789
Total changes from financing cash flows	3,705,300	(948,943)	1,764,789	4,521,146
Other changes:				
Interest expenses *(Note 6(a))*	—	948,943	—	948,943
At 31 December 2015 and 1 January 2016	13,311,083	—	2,824,228	16,135,311
Changes from financing cash flows:				
Proceeds from borrowings	10,740,000	—	—	10,740,000
Repayment of borrowings	(7,892,338)	—	—	(7,892,338)
Borrowing costs paid	—	(1,052,909)	—	(1,052,909)
Net increase in amounts due to related parties	—	—	2,751,825	2,751,825
Total changes from financing cash flows	2,847,662	(1,052,909)	2,751,825	4,546,578
Other changes:				
Interest expenses *(Note 6(a))*	—	1,052,909	—	1,052,909
At 31 December 2016 and 1 January 2017	16,158,745	—	5,576,053	21,734,798
Changes from financing cash flows:				
Proceeds from borrowings	7,464,900	—	—	7,464,900
Repayment of borrowings	(7,002,745)	—	—	(7,002,745)
Borrowing costs paid	—	(1,221,679)	—	(1,221,679)
Net decrease in amounts due to related parties	—	—	(3,690,080)	(3,690,080)
Total changes from financing cash flows	462,155	(1,221,679)	(3,690,080)	(4,449,604)
Other changes:				
Interest expenses *(Note 6(a))*	—	1,221,679	—	1,221,679
At 31 December 2017	16,620,900	—	1,885,973	18,506,873

15 TRADE AND OTHER PAYABLES

	At 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Trade payables *(Note (ii))*	5,679	5,173	11,142
Other payable			
— Other taxes payable	40,404	91,320	161,852
— Salary and welfare expenses payable	156	136	100
— Amount due to related parties *(Note (i))*	6,425,815	9,421,571	5,421,914
— Others	82,484	30,922	58,831
	6,548,859	9,543,949	5,642,697
Financial liabilities measured at amortised cost	6,554,538	9,549,122	5,653,839
Receipt in advance — related parties *(Note 22(b)(i))*	25,048	69,660	9,074
	6,579,586	9,618,782	5,662,913

All trade and other payables are interest-free, unsecured and have no fixed terms of repayment as at 31 December 2015, 2016 and 2017.

(i) Amount due to related parties

Amount due to related parties represent proceeds from related parties which are non-interest bearing and has no fixed terms of repayment. Amount due to the immediate holding company of RMB3,458,581,000 as at 31 December 2017 has been subsequently injected as capital as at the date of this Historical Financial Information to the PRC subsidiaries.

(ii) Ageing analysis

At 31 December 2015, 2016 and 2017, the ageing analysis of trade payables is as follows:

	At 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Due within one year or on demand	5,679	5,173	11,142

16 INTEREST-BEARING BORROWINGS

(a) The short-term interest-bearing borrowings are analysed as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans			
— secured	1,069,925	3,346,948	1,846,900
— unsecured	760,000	20,000	20,000
	1,829,925	3,366,948	1,866,900
Add: current portion of long- term interest-bearing borrowings *(Note 16(b))*	5,689,361	4,211,797	10,120,000
	7,519,286	7,578,745	11,986,900

(b) The long-term interest-bearing borrowings are analysed as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans			
— secured	10,724,158	9,611,797	12,074,000
— unsecured	657,000	3,080,000	2,580,000
Other loans — unsecured	100,000	100,000	100,000
	11,481,158	12,791,797	14,754,000
Less: current portion of long- term interest-bearing borrowings *(Note 16(a))*	5,689,361	4,211,797	10,120,000
	5,791,797	8,580,000	4,634,000

The long-term interest-bearing borrowings are repayable as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	5,689,361	4,211,797	10,120,000
After 1 years but within 2 years	4,711,797	8,500,000	3,390,000
After 2 years but within 5 years	1,000,000	—	350,000
After 5 years	80,000	80,000	894,000
	11,481,158	12,791,797	14,754,000

(c) Secured bank loans as at 31 December 2015, 2016 and 2017 were secured by investment properties and bank deposits, bearing fixed interest rates of 2015, 2016 and 2017 ranging from 4.35% to 10.15%, 4.35% to 10.15% and 4.35% to 9.50% per annum, respectively, with original maturity within 6 to 84 months.

17 DEFERRED INCOME

	Government grants *RMB'000*
At 1 January 2015	553,930
Additions	7,900
Credited to profit or loss	(3,046)
At 31 December 2015 and 1 January 2016	558,784
Additions	6,301
Credited to profit or loss	(4,377)
At 31 December 2016 and 1 January 2017	560,708
Credited to profit or loss	(4,654)
At 31 December 2017	556,054

Deferred income of the Hada Target Group mainly represents government grants relating to the construction of property and equipment and investment property, which would be recognised in other income on a straight-line basis over the expected useful life of the relevant assets.

18 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the statements of financial position represents:

	At 31 December		
	2015 *RMB'000*	**2016** *RMB'000*	**2017** *RMB'000*
At 1 January	19,250	6,076	7,083
Provision for the year *(Note 7a)*	52,716	164	1,207
Income tax (paid)/refund	(65,890)	843	(1,658)
At 31 December	6,076	7,083	6,632

(b) Deferred tax assets recognised

The components of deferred tax assets recognised in the statements of financial position and the movements during the Track Record Periods are as follows:

Deferred tax arising from:	**Fair value adjustment** *RMB'000*	**Government grants** *RMB'000*	**Tax losses** *RMB'000*	**Total** *RMB'000*
At 1 January 2015	(1,634,271)	137,987	3,331	(1,492,953)
Credit/(charged) to profit or loss	—	822	(852)	(30)
Credit to distribution to shareholders	2,411,820	—	—	2,411,820
At 31 December 2015 and 11 January 2016	777,549	138,809	2,479	918,837
Charged to profit or loss	(13,320)	(406)	(2,479)	(16,205)
At 31 December 2016 and 1 January 2017	764,229	138,403	—	902,632
Charged to profit or loss	(28,056)	(431)	—	(28,487)
At 31 December 2017	736,173	137,972	—	874,145

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(p), the Hada Target Group has not recognised deferred tax assets in respect of tax losses RMB56,683,000, RMB239,057,000 and RMB335,312,000 as at 31 December 2015, 2016 and 2017, as at 31 December 2015, 2016 and 2017, respectively, as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses can be carried forward for five years from the year incurred.

19 CONTINGENCIES

(a) Guarantees

As at 31 December 2015, 2016 and 2017, the Hada Target Group has provided guarantees to related parties in respect of loans amounted to RMB3,220,000,000, RMB4,800,000,000 and RMB3,080,000,000, respectively.

20 CAPITAL AND RESERVES

(a) Share capital

For the purpose of the Historical Financial Information, share capital represents the combined share capital of the Original BVI Holding Companies which are USD1 each as at 1 January 2015, 31 December 2015, 2016 and 2017.

The Hada Target Company was incorporated as an exempted company under the laws of the BVI with limited liability on 22 March 2018 with authorised share capital of USD50,000 divided into 50,000 shares of USD1 each. The share issued and fully paid was USD1 as at its incorporation date.

(b) Nature and purpose of reserves

(i) Other reserve

Other reserve mainly represents the investment costs of the Other Business as a result of the exclusion of the Other Businesses' operations from the Historical Financial Information as set out in Note 1.

(ii) PRC statutory reserve

Pursuant to the Articles of Association of the PRC entities comprising the Hada Target Group, appropriations to the PRC statutory reserve were made at a certain percentage of profit after tax determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the PRC entities. The PRC entities are required to transfer 10% of their profit after tax to PRC statutory reserve in accordance with the relevant PRC regulations. The transfer could no longer be recognised when the accumulated statutory reserve fund reaches 50% of the registered capital. This PRC statutory reserve can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(iii) Exchange reserves

The exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(iv) Deemed distribution to shareholders

Distribution to shareholders mainly represent the fair value loss of investment property as a result of favorable lease term agreement as set out in Note 11(i).

(c) Capital management

The Hada Target Group primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Hada Target Group regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure its obligations and commitments are met. A proactive approach is taken to forecasting future funding requirements and, when funds are needed, market conditions are evaluated to determine the best form of finance to be secured.

The Hada Target Group monitors its capital structure on the basis of a gearing ratio, being the interest-bearing borrowings divided by the total assets. During the Track Record Periods, the Hada Target Group' strategy was to maintain the gearing ratio above. The gearing ratio of the Hada Target Group at 31 December 2015, 2016 and 2017 was 73.52%, 68.70% and 82.23%, respectively.

Neither the Hada Target Company nor any of its subsidiaries are subject to externally imposed capital requirements.

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Credit risk

Hada Target Group's credit risk is primarily attributable to cash at bank and on hand, and prepayments and other receivables. Management has a credit policy in place and the exposure to these credit risk are monitored on an ongoing basis.

Other receivables mainly represent receivables due from related parties which accounted for 99.23%, 99.61% and 99.32% of all the receivables as at 31 December 2015, 2016 and 2017. According to the Announcement, all the other receivables due from related parties are anticipated to be settled before completion of the Hada Acquisition. After carefully evaluating the financial ability of those related parties, the directors of the Company expect such balances of other receivables due from related parties are with minimal credit risks.

(b) Liquidity risk

Hada Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of each reporting period of Hada Target Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Hada Target Group can be required to pay:

		2017				
		Contractual undiscounted cash outflow				
	Carrying amount at 31 December	**Due on demand or within 1 year**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities measured at amortised cost *(Note 15)*	5,653,839	(5,653,839)	—	—	—	(5,653,839)
Interest-bearing borrowings *(Note 16)*	16,620,900	(12,734,195)	(3,741,056)	(452,009)	(1,197,103)	(18,124,363)
	22,274,739	(18,388,034)	(3,741,056)	(452,009)	(1,197,103)	(23,778,202)

		2016				
		Contractual undiscounted cash outflow				
	Carrying amount at 31 December	**Due on demand or within 1 year**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities measured at amortised cost *(Note 15)*	9,549,122	(9,549,122)	—	—	—	(9,549,122)
Interest-bearing borrowings *(Note 16)*	16,158,745	(7,891,117)	(9,739,435)	(19,200)	(86,400)	(17,736,152)
	25,707,867	(17,440,239)	(9,739,435)	(19,200)	(86,400)	(27,285,274)

		2015				
		Contractual undiscounted cash outflow				
	Carrying amount at 31 December	**Due on demand or within 1 year**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities measured at amortised cost *(Note 15)*	6,554,539	(6,554,539)	—	—	—	(6,554,538)
Interest-bearing borrowings *(Note 16)*	13,311,083	(7,598,735)	(5,260,581)	(1,201,900)	(86,400)	(14,147,616)
	19,865,622	(14,153,274)	(5,260,581)	(1,201,900)	(86,400)	(20,702,154)

(c) Interest rate risk

The Hada Target Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Hada Target Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Hada Target Group's interest-bearing borrowings:

	At 31 December					
	2017		2016		2015	
	Effective interest rate %	*RMB'000*	*Effective interest rate %*	*RMB'000*	*Effective interest rate %*	*RMB'000*
Net fixed rate borrowings:						
Interest-bearing borrowings	6.125%–9.5%	6,624,000	6.125%–9.5%	5,190,000	6.125%–9.5%	8,439,500
		6,624,000		5,190,000		8,439,500
Variable rate borrowings:						
Interest-bearing borrowings	4.35%–7.0%	9,996,900	4.35%–10.15%	10,968,745	4.35%–10.15%	4,871,583
		9,996,900		10,968,745		4,871,583
Total borrowings		16,620,900		16,158,745		13,311,083
Net fixed rate borrowings as a percentage of total net borrowings		39.85%		32.12%		63.40%

(ii) Interest rate profile

At 31 December 2015, 2016 and 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Hada Target Group's profit after tax and retained profits by approximately RMB48,716,000, RMB109,687,000 and RMB99,969,000.

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate borrowings held by the Hada Target Group at the end of the reporting period, the impact of which on the Hada Target Group's loss after tax and accumulated losses is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for the years ended 31 December 2015, 2016 and 2017.

(d) Fair values measurement

Fair value hierarchy of financial instruments is the same as disclosed in Note 11.

As at 31 December 2015, 2016 and 2017, there is no financial instrument carried at fair value.

The carrying amounts of the financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015, 2016 and 2017.

22 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Material related party transactions

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Operating lease to the fellow subsidiaries	43,288	100,000	100,000
Net (increase)/decrease in amounts due from the fellow subsidiaries	5,995,888	5,696,109	(4,595,907)
Net decrease/(increase) in amount due from the immediate holding company	7,883	9,121	(67,153)
Net increase/(decrease) in amounts to the fellow subsidiaries	1,764,724	2,751,825	(3,690,080)
Net increase/(decrease) in amount due to the immediate holding company	210,258	243,931	(309,577)
Interest income from the fellow subsidiaries *(Note 6(a))*	776,155	831,780	1,131,292
Guarantees received from *(i)*			
— Fellow subsidiaries	2,719,925	6,460,000	1,249,900
— Fellow subsidiaries and ultimate holding company	2,250,000	200,000	1,450,000
— Fellow subsidiaries and immediate holding company	1,080,000	—	—
— Ultimate holding company	—	50,000	—
— Fellow subsidiary, immediate holding company and ultimate holding company	—	—	1,265,000
Guarantees revoked from			
— Fellow subsidiaries	—	2,235,838	2,621,745
— Fellow subsidiaries and ultimate holding company	—	1,649,500	710,000
— Fellow subsidiaries and immediate holding company	—	60,000	1,020,000
— Ultimate holding company	—	—	50,000

(i) Guarantees received from related parties represent guarantees the bank loans obtained by certain subsidiaries of the Hada Target Group. The periods of these loans are from 10 December 2012 to 22 December 2019, 10 December 2012 to 15 March 2023 and 20 March 2015 to 25 December 2026, for the years ended 31 December 2015, 2016 and 2017, respectively.

(b) Related parties balances

		At 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to the fellow subsidiaries		(2,824,228)	(5,576,053)	(1,885,973)
Amounts due to the immediate holding company		(3,601,587)	(3,845,518)	(3,535,941)
Receipt in advance from the fellow subsidiaries	*(i)*	(25,048)	(69,660)	(9,074)
		(6,450,863)	(9,491,231)	(5,430,988)
Amounts due from the fellow subsidiaries	*13(i)*	15,258,913	20,955,022	16,359,115
Amounts due from the immediate holding company		135,392	144,513	77,360
		15,394,305	21,099,535	16,436,475
		8,943,442	11,608,304	11,005,487

(i) The balance represents rental expenses received in advance from the PRC Operating Companies.

23 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of United Progress Group Limited consider the immediate and ultimate holding company of United Progress Group Limited to be New Amuse and Win Spread Limited. Neither of these companies produces financial statements available for public use.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET AFFECT

Up to date of issue of the Historical Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these Combined Financial Information. These include the following which may be relevant to the Hada Target Group.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 16, *Leases*	1 January 2019
Amendments to IAS 40, *Transfers of investment property*	1 January 2018

The Hada Target Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations are expected to be in the period of initial application. So far the Hada Target Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Hada Target Group. The Hada Target Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Hada Target Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Hada Target Group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

— The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

— For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Hada Target Group has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Hada Target Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Hada Target Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12- month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. Based on a preliminary assessment, if the Hada Target Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would not increase as compared with that recognised under IAS 39.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Hada Target Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

The Hada Target Group's revenue recognition policies are disclosed in Note 2(r). Currently, lease income, commission income and the provision of services is recognised over time.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Hada Target Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue.

IFRS 16, Leases

As disclosed in Note 2(h), currently the Hada Target Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Hada Target Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will not primarily affect the Hada Target Group's accounting. The Hada Target Group does not hold any lease agreements as a lessee of leases for properties, plant and equipment.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Hada Target Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Hada Target Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Hada Target Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Hada Target Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Hada Target Company or its subsidiaries now comprising the Hada Target Group in respect of any period subsequent to 31 December 2017.

As announced on 5 June 2018, the Company proposed to acquire and New Amuse proposed to sell the entire issued share capital of Hada Target Company, a company holds the Hada Target Group which in turn holds the Markets. Details were set out in Note 1 to this Historical Financial Information.

PART I ACCOUNTANTS' REPORT OF THE HANGZHOU ZHAORONG AND ITS SUBSIDIARIES

The following is the text of a report set out on pages V-1 to V-40, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RENHE COMMERCIAL HOLDINGS COMPANY LIMITED

Introduction

We report on the historical financial information relating to Hangzhou Zhaorong Agri-products Company Limited (''Hangzhou Zhaorong'') and its subsidiaries (together, ''Hangzhou Zhaorong Group''), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the period from 18 April 2017, the date of establishment of Hangzhou Zhaorong (''date of establishment'') to 31 December 2017 (the ''Track Record Period''), and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information'') for inclusion in the circular of Renhe Commercial Holdings Company Limited (the ''Company'') dated 29 June 2018 (the ''Circular'') in connection with the proposed acquisition of the entire issued share capital of Wise Path Holdings Limited (''Hangzhou Target Company'') to acquire the fruit, vegetables and seafood markets businesses in Hangzhou (the ''Hangzhou Acquisition'').

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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' Report 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 Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information 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.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the consolidated financial position of Hangzhou Zhaorong Group as at 31 December 2017 and of the consolidated financial performance and cash flows of Hangzhou Zhaorong Group for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

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

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 June 2018

HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial statements of Hangzhou Zhaorong Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Consolidated statement of profit or loss and other comprehensive income
(Expressed in Renminbi ("RMB"))

	Note	For the period from date of establishment to 31 December 2017 RMB'000
Revenue	4	79,742
Cost of sales		(529)
Gross profit		79,213
Valuation gain on an investment property	12	2,900
Other income	5	2,012
Administrative expenses		(13,737)
Other operating expenses		(44,712)
Profit from operations		25,676
Net finance income	7(a)	2,480
Profit before taxation	7	28,156
Income tax	8	(7,152)
Profit and total comprehensive income for the period		21,004
Attributable to:		
Equity shareholders of Hangzhou Zhaorong		16,101
Non-controlling interest		4,903
Profit and total comprehensive income for the period		21,004

The accompanying notes form part of the Historical Financial Information.

Consolidated statement of financial position
(Expressed in RMB)

	Note	At 31 December 2017 RMB'000
Non-current assets		
Property and equipment	11	544,606
Investment property	12	82,900
Goodwill	13	361,620
		989,126
Current assets		
Investments in debt securities	15	54,010
Trade and other receivables	16	22,370
Cash at bank and on hand	17	202,060
		278,440
Current liabilities		
Trade and other payables	18	440,583
Interest-bearing borrowings	19	30,000
Income tax payable	20(a)	1,404
		471,987
Net current liabilities		(193,547)
Total assets less current liabilities		795,579
Non-current liability		
Deferred tax liabilities	20(b)	88,522
Net assets		707,057
Capital and reserves		
Paid-in capital	21(c)	600,000
Reserves	21(d)	1,851
Total equity attributable to Hangzhou Zhaorong		601,851
Non-controlling interests		105,206
Total equity		707,057

The accompanying notes form part of the Historical Financial Information.

Consolidated statement of changes in equity

(Expressed in RMB)

	Attributable to equity shareholders of Hangzhou Zhaorong Group						
	Paid-in capital	**Statutory reserves**	**Other reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 21(c)	*Note 21(d)(i)*	*Note 21(d)(ii)*				
At date of establishment	—	—	—	—	—	—	—
Changes in equity for the period from date of establishment to 31 December 2017							
Profit and other comprehensive income for the period	—	—	—	16,101	16,101	4,903	21,004
Capital contribution	600,000	—	(14,250)	—	585,750	—	585,750
Acquisition of business *(Note 6)*	—	—	—	—	—	101,594	101,594
Appropriation to reserves	—	455	—	(455)	—	—	—
Distributions paid by subsidiaries to non-controlling interests	—	—	—	—	—	(1,291)	(1,291)
At 31 December 2017	600,000	455	(14,250)	15,646	601,851	105,206	707,057

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements
(Expressed in RMB)

	Note	For the period from date of establishment to 31 December 2017 RMB'000
Operating activities		
Profit before taxation		28,156
Adjustments for:		
Depreciation	*7(c)*	10,390
Net loss on disposal of property and equipment	*5*	(24)
Interest income	*7(a)*	(3,970)
Finance costs	*7(a)*	1,123
Valuation gain on an investment property	*12*	(2,900)
Changes in working capital:		
Decrease in trade and other receivables		13,988
Decrease in trade and other payables		(19,683)
Net cash generated from operating activities		27,080
Income tax paid	*20a*	(5,922)
Net cash generated from operating activities		21,158
Investing activities		
Payments for the purchase of property and equipment		(1,987)
Payments for purchase of investments in debt securities	*15*	(4,010)
Payment for deposits for acquisition	*16(ii)*	(10,000)
Acquisition of subsidiaries, net of cash paid	*6*	(659,238)
Net repayment of advances to third parties		4,345
Repayment from a related party		1,850
Interest received		3,970
Proceeds from disposal of an investment property	*18(iv)*	142,636
Net cash used in investing activities		(522,434)

The accompanying notes form part of the Historical Financial Information.

	Note	For the period from date of establishment to 31 December 2017 RMB'000
Financing activities		
Capital contribution		585,750
Advance from a related party		170,000
Proceeds from new interest-bearing borrowings	*19*	40,000
Repayment of interest-bearing borrowings	*19*	(40,000)
Distributions paid by subsidiaries to non-controlling interests		(1,291)
Interest and other finance costs paid	*7(a)*	(1,123)
Net cash generated from financing activities		753,336
Net increase in cash and cash equivalents		252,060
Cash and cash equivalents at date of establishment		—
Cash and cash equivalents at 31 December	*17*	252,060

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Pursuant to the announcement dated 5 June 2018, the Company proposed to acquire the entire issued share capital of Hangzhou Target Company from Vast Equity Investment Limited (''Hangzhou Vendor''), a company incorporated in the BVI and is wholly-owned by Mr. Suen, an independent third party, in turn to acquire the fruit, vegetables and seafood wholesale markets businesses in Hangzhou, the People's Republic of China (the ''PRC'').

Hangzhou Target Company's wholly-owned subsidiary, Hangzhou Zhaorong was established in Hangzhou, the People's Republic of China (the ''PRC'') on 18 April 2017. Hangzhou Zhaorong was established to acquire 80% interest in Hangzhou Fruit-products Group Company Limited (''Hangzhou Fruit-products'') by acquisitions as set out in Note 6 (the ''Acquisitions'') in July 2017.

Hangzhou Fruit-products Group has been operating a fruit wholesale market in Hangzhou, PRC (the ''Market'') in which fruits are traded by the sellers and buyers (the ''Hangzhou Fruit-products Business''). The Market provide a physical platform (in the form of trading halls) for sellers and buyers (the ''Dealers'') to sell and buy fruits. Hangzhou Fruit-products Group operates and manages the Market and collect various income, such as commission income, lease income and management and administrative service fee from the Dealers.

In addition, subsidiaries of Hangzhou Fruit-products, Hangzhou Fruit-products Investment Management Partnership, Hangzhou Fruit-products E-business Development Co., Ltd., Hangzhou Hangguo Fruit-products Supermarket Co., Ltd., and Hangzhou Fruit-products delivery Co., Ltd. have been engaging in e-commerce, logistics distribution and supermarket operations, which are dissimilar from the Hangzhou Fruit-products Group (the ''Other Businesses'') and have been disposed as at the date of this Historical Financial Information.

The Historical Financial Information of the Hangzhou Zhaorong Group has been prepared solely for inclusion in the Circular of the Company in connection with the Hangzhou Acquisition. For the purpose of preparation of the Historical Financial Information of the Hangzhou Fruit-products Business owned and operated by Hangzhou Zhaorong Group and will be acquired by the Company through the Hangzhou Acquisition, the assets and liabilities and operating results of the Other Businesses have been excluded. The Other Businesses are managed by separate management personnel and are, in the opinion of the directors of the Company, clearly delineated from the Hangzhou Fruit-products Group. As a result of exclusion of the Other Businesses, the portion of consideration paid by Hangzhou Zhaorong that is attributable to the Other Businesses were debited in other reserve in the Historical Financial Information of Hangzhou Zhaorong Group.

As at the date of this Historical Financial Information, no audited statutory financial statements have been prepared for Hangzhou Zhaorong. The financial statements of the subsidiaries of Hangzhou Zhaorong during the Track Record Period for which there are statutory requirements were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

As at the date of this Historical Financial Information, Hangzhou Zhaorong had direct or indirect interests the following subsidiaries, all of which are private companies:

Company name	Place and date of establishment	Particulars of registered and paid-up capital	Equity interest attributable to the equity shareholder of Hangzhou Zhaorong		Principal activities
			Direct	Indirect	
Hangzhou Fruit-products 杭州果品集團有限公司	Hangzhou the PRC 18 June 2001	RMB120,000,000	80.0%	—	Fruits wholesale and Retail
Hangzhou Fruit-products Wholesale Co., Ltd. 杭州果品批發有限公司	Hangzhou the PRC 23 May 2006	RMB100,000,000	—	80.0%	Fruits wholesale and Retail

(i) The official name of all these entities are in Chinese. The English translation names for these entities are for identification only.

(ii) The statutory audits of these entities for the year ended 31 December 2017 were audited by Zhejiang Chongshin Certified Public Accountants Co., Ltd. (浙江中信會計師事務所有限公司).

At 31 December 2017, there were no subsidiaries of Hangzhou Zhaorong Group had any material non-controlling interests.

All companies comprising the Hangzhou Zhaorong Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

As at 31 December 2017, Hangzhou Zhaorong Group had net current liabilities of RMB193,547,000, including amounts due to a related party of RMB170,000,000 (Note 18(iii)). The Historical Information have been prepared on a going concern basis notwithstanding the above mentioned conditions, because the Hangzhou Zhaorong's immediate holding company, Renhe Investment Holding Company Limited, has confirmed that it will provide continuous financial support to Hangzhou Zhaorong within the next twelve months after the end of the reporting date in order to enable it to meet its liabilities as and when they fall due. Accordingly, the directors of the Company consider it is appropriate to prepare the financial statements on a going concern basis.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, Hangzhou Zhaorong Group has adopted all applicable new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting year ended 31 December 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2017 are set out in Note 28.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment property is stated at its fair value as explained in the accounting policies set out in Note 2(h).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying on the principal activities of Hangzhou Zhaorong Group.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by Hangzhou Zhaorong Group. Hangzhou Zhaorong Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether Hangzhou Zhaorong Group has power, only substantive rights (held by Hangzhou Zhaorong Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Hangzhou Zhaorong Group, and in respect of which Hangzhou Zhaorong Group has not agreed any additional terms with the holders of those interests which would result in Hangzhou Zhaorong Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, Hangzhou Zhaorong Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Hangzhou Zhaorong Group. Non-controlling interests in the results of Hangzhou Zhaorong Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non- controlling interests and the equity shareholders of the Hangzhou Zhaorong Group.

Changes in Hangzhou Zhaorong Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When Hangzhou Zhaorong Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Hangzhou Zhaorong's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates

An associate is an entity in which Hangzhou Zhaorong Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of Hangzhou Zhaorong Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in Hangzhou Zhaorong Group's share of the investee's net assets and any impairment loss relating to the investment (Note 2(k)). Any acquisition-date excess over cost, Hangzhou Zhaorong Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the consolidated statements of profit or loss and other comprehensive income, whereas Hangzhou Zhaorong Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of profit or loss and other comprehensive income.

When Hangzhou Zhaorong Group's share of losses exceeds its interest in the associate, Hangzhou Zhaorong Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that Hangzhou Zhaorong Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, Hangzhou Zhaorong Group's interest is the carrying amount of the investment under the equity method together with Hangzhou Zhaorong Group's long-term interests that in substance form part of Hangzhou Zhaorong Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between Hangzhou Zhaorong Group and its associates are eliminated to the extent of Hangzhou Zhaorong Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when Hangzhou Zhaorong Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non- controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 2(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Investments in debt securities

Hangzhou Zhaorong Group's policies for investments in debt securities, other than investments in subsidiaries and associate, are as follows:

Investments in debt securities not at fair value through profit or loss are initially stated at fair value plus directly attributable transaction costs, where fair value is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets.

Investments in debt securities which do not fall into the categories of loans and receivables, investments in securities held for trading or held-to-maturity are classified as available-for- sale securities. Interest income from debt securities calculated using the effective interest method is recognised in profit or loss in accordance with the policies set out in Note 2(s)(v).

When the investments in debt securities are derecognised or impaired, see Note 2(k), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments in debt securities are recognised/derecognised on the date Hangzhou Zhaorong commits to purchase/sell the investments or they expire.

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (Note 2(j)) to earn lease income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Lease income from investment properties is accounted for as described in Note 2(s)(ii).

When Hangzhou Zhaorong Group holds a property interest under an operating lease to earn lease income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (Note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 2(j).

(i) Property and equipment

(i) Recognition and measurement

Items of property and equipment and leasehold improvements are measured at cost less accumulated depreciation and accumulated impairment losses (Note 2(k)(ii)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the component will flow to Hangzhou Zhaorong Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives for current and comparative years are as follows:

— Land and buildings	10–40 years
— Machinery	5–10 years
— Office equipment and others	3–5 years
— Vehicles	5–12 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if Hangzhou Zhaorong Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to Hangzhou Zhaorong Group

Assets that are held by Hangzhou Zhaorong Group under leases which transfer to Hangzhou Zhaorong Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to Hangzhou Zhaorong Group are classified as operating leases.

(ii) Operating lease charges

Where Hangzhou Zhaorong Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent lease are charged to profit or loss in the accounting period in which they are incurred.

(k) Impairment of assets

(i) Impairment of investments in debt securities and other receivables

Investments in debt securities and other receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates accounted for under the equity method in the consolidated financial statements (Note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(k)(ii).

— For trade and other receivables and other current financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When Hangzhou Zhaorong Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, impairment loss previously recognised no longer exists or may have decreased:

— Property and equipment;

— Goodwill;

— Investments in subsidiaries in Hangzhou Zhaorong's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (Note 2(k)), except where the receivables are interest-free loans made to related parties or third parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

(i) Short-term employee benefits and contribution to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Terminate benefits

Termination benefits are recognised at the earlier of when Hangzhou Zhaorong Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in net assets, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in net assets, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, Hangzhou Zhaorong Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the companies operating Hangzhou Zhaorong Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, Hangzhou Zhaorong Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when Hangzhou Zhaorong Group or Hangzhou Zhaorong has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure excepted to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to Hangzhou Zhaorong Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Commission income

Commission income from lease and management of agricultural wholesale market is recognised in profit or loss on a straight-line basis over the period in which the goods are traded in the agricultural produce wholesale market.

(ii) Lease income from operating lease

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised in profit or loss as an integral part of the total lease income, over the term of lease. Contingent lease are recognised as income in the accounting period in which they are earned.

(iii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iv) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that Hangzhou Zhaorong Group will comply with the conditions attaching to them. Grants that compensate Hangzhou Zhaorong Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate Hangzhou Zhaorong Group for the cost of an asset are recognised as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

(vii) Distributions

Distributions income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to Hangzhou Zhaorong Group if that person:

(i) has control or joint control over these companies;

(ii) has significant influence over these companies; or

(iii) is a member of the key management personnel of these companies or these companies' parent.

(b) An entity is related to Hangzhou Zhaorong Group if any of the following conditions applies:

(i) The entity and Hangzhou Zhaorong Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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 these companies or an entity related to these companies.

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to Hangzhou Zhaorong Group or to Hangzhou Zhaorong Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 22 contains information about the assumptions and their risk factors relating to financial risk management and fair values of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment losses for bad and doubtful debts

Hangzhou Zhaorong Group estimate impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. Hangzhou Zhaorong Group base the estimates on the aging of the receivable balance, debtors' creditworthiness, and write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment losses of non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered ''impaired'', and an impairment loss may be recognised in accordance with the accounting policy as set out in Note 2(k)(ii). The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. Hangzhou Zhaorong Group use all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Depreciation

Property and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Hangzhou Zhaorong Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the Track Record Periods. The useful lives are based on these companies' experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Taxes

Hangzhou Zhaorong Group files taxes in numerous tax authorities. Judgement is required in determining the provisions for taxes. There are many transactions and calculating for which the ultimate tax determination is uncertain during the course of business. The ultimate tax determination therefore might be different from the tax provision made in the Financial Information.

4 REVENUE

Revenue primarily represents commission income from the wholesale markets, lease income from operating leases and sales of goods. The amounts of each significant category of revenue and net income recognised during the Track Record Period are as follows:

	For the period from date of establishment to 31 December 2017
	RMB'000
Commission income	72,049
Lease income	7,042
Sales of goods	651
	79,742

During the Track Record Period, Hangzhou Zhaorong Group's customer base was diversified and there was no customer with whom transactions had exceeded 10% of Hangzhou Zhaorong Group's revenue. Details of the concentration of credit risk arising from Hangzhou Zhaorong Group's customers are set out in Note 22(a).

Segment reporting

The profit or loss, assets and liabilities of continuing operation represent the single segment of operation of fruit wholesale markets segment. All of the Hangzhou Zhaorong's operations are located in the PRC, therefore no geographical segment reporting is presented.

5 OTHER INCOME

	For the period from date of establishment to 31 December 2017
	RMB'000
Management and administrative service fee income	952
Government grants	1,084
Net loss on disposal of property and equipment	(24)
	2,012

6 ACQUISITION OF BUSINESS

In 2017, Hangzhou Zhaorong entered into agreements to acquire 80% interest of Hangzhou Fruit-products from 40 independent individuals and Hangzhou Fruit-products Group Company Limited Labour Union Committee, an independent third party, for a cash consideration of RMB768,000,000 ("the Acquisition"). The Acquisition was completed on 31 July 2017.

The Acquisition included the fruit-products business through operation of a fruit market and Other Businesses. Of the total consideration of the Acquisitions of RMB768,000,000, RMB753,750,000 was allocated to the fruits-products business based on the proportionate fair value of the net assets acquired on the acquisition date.

The identifiable assets acquired and liabilities assumed in the above acquisition were as follows:

	Note	Recognised values on acquisition RMB'000
Property and equipment	11	551,109
Investment property	12	80,000
Investments in debt securities		5,800
Trade and other receivables		32,553
Cash at bank and on hand		88,709
Trade and other payables		(145,751)
Interest-bearing borrowings		(30,000)
Deferred tax liabilities	20(b)	(88,696)
Total identifiable net assets		493,724
Less: non-controlling interests		(101,594)
Net identifiable assets acquired		392,130
Goodwill	13	361,620
Total cash consideration		753,750
Less: cash at bank and on hand		(94,512)
Net cash outflow		659,238

The goodwill is attributable mainly to the Hangzhou Fruit-products Group's management and workforce, and the synergies with other agriculture markets under common control.

The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values. In determining the fair values of property and equipment, the directors of the Hangzhou Zhaorong have referenced the fair value adjustments to valuation reports issued by independent valuers. The fair value of property and equipment located in the PRC is determined by discounting a projected cash flow projections based on financial budgets approved by management covering a 10-year period. These cash flow projections adopted annual sales growth rates ranging from 2.5% to 5.0%, which are based on historical experience with the operations of the Market. Cash flows beyond the 10-year period are extrapolated using an estimate weighted average sales growth rate of 2.5%. The cash flows are discounted using discount rate of 10.85%. The discount rate used is pre-taxed and reflects specific risks relating to the respective property and equipment.

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Net finance income

	For the period from date of establishment to 31 December 2017
	RMB'000
Finance income	
— Interest income	3,970
Finance costs	
— Interest expenses on interest-bearing borrowings	(1,123)
— Bank charges and others	(367)
	2,480

(b) Personal expenses

	For the period from date of establishment to 31 December 2017
	RMB'000
Wages, salaries, and other benefits	33,542
Contributions to defined contribution retirement plans	1,845
	35,387

(c) Other items

	For the period from date of establishment to 31 December 2017
	RMB'000
Depreciation *(Note 11)*	10,390
Auditor's remuneration	660
Operating lease charges	5,511
Repairs and maintenance	1,973

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income

	For the period from date of establishment to 31 December 2017 *RMB'000*
Current tax	
Provision for the year *(Note 20(a))*	7,326
Deferred tax	
Reversal and origination of temporary difference *(Note 20(b))*	(174)
	7,152

Hangzhou Zhaorong Group was established in the PRC and subject to PRC Corporate Income Tax rate at a rate of 25% during the Track Record Period.

(b) Reconciliations between tax expense and accounting loss at applicable tax rate:

	For the period from date of establishment to 31 December 2017 *RMB'000*
Profit before taxation	28,156
Notional tax on profit before taxation, calculated at the PRC corporate income tax rate	7,039
Effect on non-taxable expenses	113
Actual tax expense	7,152

9 DIRECTORS' EMOLUMENTS

The directors believe the presentation of such information is not meaningful for the purpose of this Historical Financial Information.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The directors believe the presentation of such information is not meaningful for the purpose of this Historical Financial Information.

11 PROPERTY AND EQUIPMENT

	Land and buildings	Machinery	Vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At date of establishment	—	—	—	—	—	—
Acquisitions through acquisition of subsidiaries *(Note 6)*	536,800	4,133	3,590	6,155	431	551,109
Additions	822	17	2,054	29	965	3,887
Transfer in/(out)	—	—	—	976	(976)	—
At 31 December 2017	537,622	4,150	5,644	7,160	420	554,996
Accumulated depreciation:						
At date of establishment	—	—	—	—	—	—
Charge for the period *(Note 7(c))*	(10,200)	(81)	(95)	(14)	—	(10,390)
At 31 December 2017	(10,200)	(81)	(95)	(14)	—	(10,390)
Net book value:						
At 31 December 2017	527,422	4,069	5,549	7,146	420	544,606

Note: As at 31 December 2017, certain of properties, which had an aggregate carrying value of RMB61,398,000, were pledged as securities for Hangzhou Zhaorong Group's interest- bearing borrowings (Note 19).

12 INVESTMENT PROPERTY

	RMB'000
At fair value:	
At date of establishment	—
Acquisition of business *(Note 6)*	80,000
Fair value adjustment	2,900
At 31 December 2017	82,900

Note:

(i) The investment property owned by the Hangzhou Fruit-products Group is located in the PRC.

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the investment property measured at the end of each reporting period at recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements categorised into Level 2 2017 *RMB'000*
Recurring fair value measurement	
Investment property:	
— PRC	82,900

The investment property was measured using Level 2 valuations. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Hangzhou Zhaorong Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The investment property of the Hangzhou Zhaorong Group was revalued at 31 December 2017. The valuations were carried out by an independent firm of surveyors, BMI Appraisals Limited ("BMI"), who has among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The property manager and the finance manager of the Hangzhou Zhaorong Group have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting period.

(ii) Information about Level 2 fair value measurements

The fair value of the investment property located in the PRC is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis using market data which is publicly available.

13 GOODWILL

	RMB'000
At date of establishment	—
Acquisition of business *(Note 6)*	361,620
At 31 December 2017	361,620

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to Hangzhou Zhaorong Group's cash-generating unit identified as follows:

	At 31 December 2017
	RMB'000
Hangzhou fruit-products business *(Note 6)*	361,620

Goodwill relating to acquisition of Hangzhou fruit-products business as disclosed in Note 6.

The acquired business is identified to be a cash-generating unit ("CGU"), the recoverable amounts of which were determined based on fair value less cost of disposal. The fair value is measured using a quoted price for Hangzhou fruit-products business.

14 INTERESTS IN ASSOCIATES

The Hangzhou Zhaorong's material associate is an unlisted corporate entity whose quoted market price is not available:

			Proportion of ownership interest			
Company name	**Place and date of establishment**	**Particulars of issued and paid-up capital**	**Hangzhou Zhaorong's effective interest**	**Directly held by Hangzhou Zhaorong**	**Indirectly held by Hangzhou Zhaorong**	**Principal activity**
		RMB'000				
Pinghu Agricultural and Sideline Products Company Limited	the PRC 16 November 1999	13,650	19.58%	—	24.47%	Agricultural products wholesale

The above associate is accounted for using the equity method in the consolidated financial statements.

	At 31 December 2017
	RMB'000
Gross amounts of the associate's	
Current assets	23,348
Non-current assets	196,150
Current liabilities	(67,902)
Non-current liabilities	(80,600)
Equity	70,996

	Year ended 31 December 2017
	RMB'000
Reconciled to the interest in associates	
Gross amounts of net assets of the associate	70,996
Effective interests	24.47%
Share of net assets of the associate	17,373
Goodwill	11,540
Impairment losses	(29,294)
Adjustment for share of loss in associates	381
Carrying amount in the consolidated financial statements	—

Hangzhou Fruit-products entered into a sale and purchase agreement in the year 2016 to indirectly hold 24.47% effective interest in Pinghu Agricultural and Side-line Products Company Limited (the ''Pinghu Agricultural''), which owned an agricultural products market (the ''Pinghu Market'') in Zhejiang province, PRC, with the consideration of RMB30,000,000. Furthermore, the Hangzhou Fruit-products provided working capital of RMB50,000,000 to Pinghu Agricultural to meet operational requirements of the Pinghu Market. After the above acquisition, goodwill of RMB11,540,000 was recognised with the difference between the consideration and the identifiable assets acquired less liabilities assumed. The carrying amount of interests in associates and the above receivables with an aggregate amount of RMB79,294,000 were determined to be fully impaired according to the impairment test performed by the management of Hangzhou Fruit-products as at 31 December 2016.

15 INVESTMENTS IN DEBT SECURITIES

	At 31 December 2017
	RMB'000
Original maturity more than three months	4,010
Original maturity within three months *(Note 17(a))*	50,000
	54,010

The debt securities represent wealth management products issued by financial institutions in the PRC with guaranteed principal amounts plus fixed or variable returns, and are recognised in accordance with the accounting policies set out in Note 2(l).

16 TRADE AND OTHER RECEIVABLES

	At 31 December 2017
	RMB'000
Trade receivables	504
Deposits for acquisition *(Note (ii))*	10,000
Amounts due from:	
— third parties *(Note (iii))*	10,650
— a related party *(Note (iv))*	150
Others	1,066
	22,370

Notes:

(i) All of the trade and other receivables are expected to be recovered within one year.

(ii) The balance represents deposits made as a security for acquisition of a company, engaged in seafood wholesale market business as set out in Note 1, in the PRC.

(iii) The balance mainly represents advances to third parties of RMB10,650,000 as at 31 December 2017, which are unsecured, bear interest rates ranging from 5.35% to 6% per annum and are repayable in 2018, amongst RMB9,000,000 was repaid on 31 March 2018.

(iv) The amounts due from a related party is unsecured, non-interest bearing and has no fixed term of repayment.

(a) Aging analysis

The aging analysis of trade receivables, based on the invoice date is as follows:

	At 31 December 2017 *RMB'000*
Less than 1 year	504

Further details on Hangzhou Zhaorong Group's credit policy are set out in Note 22(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless Hangzhou Zhaorong Group's is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (Note 2(k)).

(c) Trade receivables that are not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

17 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand comprise:

	At 31 December 2017 *RMB'000*
Cash on hand	402
Cash at bank	201,658
Cash at bank and on hand in the consolidated statement of financial position	202,060
Add: Investments in debt securities with original maturity within three months *(Note 15)*	50,000
Cash and cash equivalents in the consolidated cash flow statements	252,060

(b) Reconciliation of liabilities arising from financing activities

	Interest-bearing borrowings *RMB'000* *(Note 19)*	**Interest paid** *RMB'000*	**Advance from a related party** *RMB'000* *(Note 18(iii))*	**Total** *RMB'000*
At date of establishment	—	—	—	—
Additions through acquisition of subsidiaries *(Note 6)*	30,000	—	—	30,000
Changes from financing cash flows:				
Proceeds from advance from a related party	—	—	170,000	170,000
Proceeds from new bank borrowings	40,000	—	—	40,000
Repayment of short-term borrowings	(40,000)	—	—	(40,000)
Interest paid for borrowings	—	(1,123)	—	(1,123)
Total changes from financing cash flows	—	(1,123)	170,000	168,877
Other change:				
Interest expenses *(Note 7(a))*	—	1,123	—	1,123
At 31 December 2017	30,000	—	170,000	200,000

18 TRADE AND OTHER PAYABLES

	At 31 December 2017 *RMB'000*
Trade payable:	
— payable to wholesalers *(Note 18(a))*	80,760
Other payable and accrued expenses	
— Payables for customers' prepaid cards *(Note (i))*	16,587
— Payables for deposits *(Note (ii))*	15,753
— Other taxes payable	3,179
— Salary and welfare expenses payable	10,212
— Advance from a related party *(Note (iii))*	170,000
— Others	1,456
	217,187
Financial liabilities measured at amortised cost	297,947
Receipts in advance	
— Disposal proceed *(Note (iv))*	142,636
	440,583

Notes:

(i) Payables for customers' prepaid cards represent unutilised balances collected from customers to facilitate the payment process in the Market, which are expected to be recognised as revenue upon customers' usage of the prepaid cards to purchase fruit-products in the Market or settled by cash on customers' demand.

(ii) Deposits mainly represent deposits paid by wholesalers for the privilege to renew the operating contracts upon expiry, to sign new operating contracts and to secure the execution of the contracts.

(iii) Advance from a related party represents proceeds from Dili Agriculture Products Investment Holding Company Limited, the immediate holding company of Hangzhou Zhaorong, for the acquisition of Hangzhou Fruit-products, which is non-interest bearing and has no fixed terms of repayment.

(iv) On 30 November 2017, the Hangzhou Fruit-products entered into a disposal agreement with local government to dispose one piece of its leasehold land in the city of Hangzhou (the "Disposal"), with the book value amounting to RMB82,900,000 as at 31 December 2017 (Note 12). Pursuant to the agreement, the total disposal proceeds amounted to RMB285,086,000, among which RMB142,636,000 has been paid in advance by local government as at 31 December 2017 Up to the date of this financial information, the above transaction has been completed.

(a) Aging analysis

At 31 December 2017, the aging analysis of trade payables is as follows:

	At 31 December 2017
	RMB'000
Due within one year or on demand	80,760

19 INTEREST-BEARING BORROWINGS

	At 31 December 2017
	RMB'000
Secured bank loans	30,000

Secured bank loans as at 31 December 2017 were secured by certain properties (Note 11) with original maturity within 12 months, bearing fixed annually interest rates for the period from date of establishment to 31 December 2017 ranging from 3.96% to 4.68%.

20 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	RMB'000
At date of establishment	—
Provision for the period *(Note 8)*	7,326
Income tax paid	(5,922)
At 31 December 2017	1,404

(b) Deferred tax liabilities recognised:

The deferred tax liabilities recognised in the consolidated statements of financial position and the movement during the years ended 2017 are as follows:

	Revaluation of properties and equipment
	RMB'000
Deferred tax liabilities arising from:	
At date of establishment	—
Additions through the Acquisition *(Note 6)*	88,696
Credited to profit or loss *(Note 8)*	(174)
At 31 December 2017	88,522

21 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of Hangzhou Zhaorong Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in Hangzhou Zhaorong's individual components of equity between the beginning and the end of the reporting period are set out below:

	Paid-in capital	Statutory reserve	Other reserve	Retained profits	Total
	Note 21(c)	*Note 21(d)(i)*	*Note 21(d)(ii)*		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At date of establishment	—	—	—	—	—
Changes in equity for the period from date of establishment to 31 December 2017					
Profit and other comprehensive income for the period	—	—	—	4,546	4,546
Capital contribution	600,000	—	(14,250)	—	585,750
Appropriation to reserves	—	455	—	(455)	—
At 31 December 2017	600,000	455	(14,250)	4,091	590,296

(b) Distribution

The directors of Hangzhou Zhaorong Group do not recommend the payment of a final distribution for the period from date of establishment to 31 December 2017.

(c) Paid-in capital

As at 31 December 2017, the registered and paid up paid-in capital of Hangzhou Zhaorong was RMB600,000,000.

All shareholders are entitled to receive distributions as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Hangzhou Zhaorong. All shares rank equally with regard to Hangzhou Zhaorong Group's residual assets.

(d) Nature and purpose of reserves

(i) Statutory reserve

In accordance with the articles of association of Hangzhou Zhaorong Group established in the PRC, these entities were required to set up certain statutory reserves, which were non- distributable. The transfers of these reserves are at discretion of the directors of the respective subsidiaries. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(ii) Other reserve

Other reserve represent the net assets of the Other Business as a result of the exclusion of the Other Business' operations from the Historical Financial Information (Note 1).

(e) Capital management

Hangzhou Zhaorong Group's primary objectives when managing capital are to safeguard the its ability to continue as a going concern, so that it can fund its operation of agriculture wholesale markets, and provide returns for shareholders, by pricing commission income, rental and property management services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Hangzhou Zhaorong Group regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure its obligations and commitments are met. A proactive approach is taken to forecasting future funding requirements and, when funds are needed, market conditions are evaluated to determine the best form of finance to be secured.

Hangzhou Zhaorong Group monitors its capital structure on the basis of a gearing ratio, being the interest-bearing borrowings divided by the total assets. During the Track Record Periods, the Hangzhou Zhaorong Group's strategy was to maintain the above gearing ratio. The gearing ratio of Hangzhou Zhaorong Group at 31 December 2017 was 2.4%.

Neither Hangzhou Zhaorong nor its subsidiaries are subject to externally imposed capital requirements.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of Hangzhou Zhaorong Group's business. Hangzhou Zhaorong Group's exposure to these risks and the financial risk management policies and practices used by Hangzhou Zhaorong Group to manage these risks are described below.

(a) Credit risk

Hangzhou Zhaorong Group's credit risk is primarily attributable to trade and other receivables and investments in debt securities. Management has a credit policy in place and the exposure to these credit risk are monitored on an ongoing basis.

Hangzhou Zhaorong Group does not provide any guarantees which would expose itself to credit risk.

Further quantitative disclosures in respect of the exposure to credit risk arising from trade and other receivables are set out in Note 16.

(b) Liquidity risk

Hangzhou Zhaorong Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of each reporting period of Hangzhou Zhaorong Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date Hangzhou Zhaorong Group can be required to pay:

	31 December 2017	
	Contractual undiscounted cash flow Within 1 year or on demand *RMB'000*	**Carrying amount** *RMB'000*
Trade and other payables measured at amortised cost *(Note 18)*	297,947	297,947
Interest-bearing borrowings *(Note 19)*	31,059	30,000
	329,006	327,947

(c) Interest rate risk

Hangzhou Zhaorong Group's interest rate risk arises from interest-bearing borrowings. Interest-bearing borrowings issued at fixed rates expose Hangzhou Zhaorong Group to fair value interest rate risk.

The profile of Hangzhou Zhaorong Group's Interest-bearing borrowings at the end of each reporting period and the detailed interest rates and maturity information are disclosed in Note 19.

(d) Fair values measurement

As at 31 December 2017, there is no financial instrument carried at fair value. The carrying amounts of the financial instruments carried at cost or amortised cost are not material different from their fair values as at 31 December 2017.

23 COMMITMENTS

(a) Capital commitments outstanding at 31 December not provided for in the Historical Financial Information were as follows:

	At 31 December 2017 *RMB'000*
Contracted for	180,000

At 31 December 2017, capital commitments represent the remaining payments for the acquisition of a company in the PRC as set out in Note 16(ii).

(b) Leases as lessor

Hangzhou Zhaorong Group lease out their properties under operating lease. The future minimum lease income under non-cancellable lease is receivable as follows:

	At 31 December 2017
	RMB'000
Within 1 year	15,867
After 1 year but within 2 years	16,384
After 2 years but within 5 years	49,886
After 5 years	38,459
At 31 December 2017	120,596

Hangzhou Zhaorong Group leases out its properties under operating leases. The leases typically run for an initial period of 3 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

(c) Leases as lessee

As at the respective reporting period end dates, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

	At 31 December 2017
	RMB'000
Within 1 year	15,111
After 1 year but within 2 years	15,604
After 2 years but within 5 years	47,510
After 5 years	36,628
	114,853

Hangzhou Zhaorong Group leases properties for the use by its fruits market operations under operating leases. The leases typically run for an initial period of 20 years, where all terms are renegotiated upon renewal.

24 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in the Historical Financial Information, Hangzhou Zhaorong Group entered into the following material related party transactions:

	At 31 December 2017
	RMB'000
Increase in advance from the immediate holding company	170,000
Repayment from the Other Businesses *(Note 16(iv))*	1,850

25 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Hangzhou Zhaorong consider the immediate and ultimate holding company of Hangzhou Zhaorong at 31 December 2017 to be Dili Agriculture Products Investment Holding Company Limited and Beijing Baorong Investment Holding Company Limited, respectively, which both are established in the PRC. Neither of these companies produces financial statements available for public use.

26 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 24 January 2018, Hangzhou Fruit-products entered into an share sale and purchase agreement to acquire 55.91% equity interest in Hangzhou Jiaqu Investments Management Company Limited ("Hangzhou Jiaqu") with a consideration of RMB190,000,000, among which RMB10,000,000 has been paid as deposit by Hangzhou Fruit-products (Note 16(ii)). Hangzhou Jiaqu is the immediate and ultimate holding company of Hangzhou Changhai Company Limited ("Hangzhou Changhai") at 31 December 2017, which principally engaged in the seafood wholesale market operation in the PRC.

27 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	**At 31 December 2017** *RMB'000*
Non-current asset		
Investment in subsidiaries	*6*	753,750
Current asset		
Cash at bank and on hand		6,546
Current liability		
Other payables		170,000
Net current liability		(163,454)
Total assets less current liability		590,296
NET ASSETS		590,296
CAPITAL AND RESERVES		
Paid-in capital	*21(c)*	600,000
Reserves	*21*	(9,704)
TOTAL EQUITY		590,296

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET AFFECT

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to Hangzhou Zhaorong Group.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 16, *Leases*	1 January 2019
Amendments to IAS 40, *Transfers of investment property*	1 January 2018

Hangzhou Zhaorong Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations are expected to be in the period of initial application. So far Hangzhou Zhaorong Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to Hangzhou Zhaorong Group.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. Hangzhou Zhaorong Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on Hangzhou Zhaorong Group's consolidated financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

— The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

— For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only distribution income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Hangzhou Zhaorong Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). Hangzhou Zhaorong Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on Hangzhou Zhaorong Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. Based on a preliminary assessment, if Hangzhou Zhaorong Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would not increase as compared with that recognised under IAS 39.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, Hangzhou Zhaorong Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

Hangzhou Zhaorong Group's revenue recognition policies are disclosed in Note 2(s). Currently, lease income, commission income and the provision of services is recognised over time.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

Hangzhou Zhaorong Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue.

IFRS 16, Leases

As disclosed in Note 2(j), currently Hangzhou Zhaorong Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Hangzhou Zhaorong Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect Hangzhou Zhaorong Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in Note 23(c), at 31 December 2017 Hangzhou Zhaorong Group's future minimum lease payments under non-cancellable operating leases amount to RMB114,853,000 for properties and equipment, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. Hangzhou Zhaorong Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, Hangzhou Zhaorong Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, Hangzhou Zhaorong Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether Hangzhou Zhaorong Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, Hangzhou Zhaorong Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Hangzhou Zhaorong Group in respect of any period subsequent to 31 December 2017.

Pursuant to the announcement dated 5 June 2018, the Company proposed to acquire the entire issued share capital of Hangzhou Target Company, the intermediate holding company of Hangzhou Zhaorong, from Vast Equity Investment Limited ("Hangzhou Vendor"), a company incorporated in the BVI and is wholly-owned by Mr. Suen, an independent third party. Details were set out in Note 1 to this Historical Financial Information.

PART II ACCOUNTANTS' REPORT OF THE HANGZHOU HONGHUI AND ITS SUBSIDIARIES

The following is the text of a report set out on pages V-41 to V-76, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of establishment in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RENHE COMMERCIAL HOLDINGS COMPANY LIMITED

Introduction

We report on the historical financial information relating to Hangzhou Honghui Agri-products Company Limited (''Hangzhou Honghui'') and its subsidiaries (together, the ''Hangzhou Honghui Group''), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the period from 23 August 2017, the date of establishment of Hangzhou Honghui (''date of establishment'') to 31 December 2017 (the ''Track Record Period''), and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information'') for inclusion in the circular of Renhe Commercial Holdings Company Limited (the ''Company'') dated 29 June 2018 (the ''Circular'') in connection with the proposed acquisition of the entire issued share capital of Wise Path Holdings Limited (''Hangzhou Target Company'') to acquire the fruit, vegetables and seafood markets businesses in Hangzhou (the ''Hangzhou Acquisition'').

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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' Report 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 Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information 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.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the consolidated financial position of the Hangzhou Honghui Group as at 31 December 2017 and of the consolidated financial performance and cash flows of the Hangzhou Honghui Group for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page V-43 have been made.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
29 June 2018

HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial statements of the Hangzhou Honghui Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Consolidated statement of profit or loss and other comprehensive income
(Expressed in Renminbi ("RMB"))

	Note	**For the period from date of establishment to 31 December 2017** *RMB'000*
Revenue	*4*	17,978
Valuation loss on an investment property	*12*	(10)
Other income	*5*	1,845
Administrative expenses		(13,706)
Other operating expenses		(3,447)
Profit from operations		2,660
Finance income	*7(a)*	1,812
Profit before taxation	*7*	4,472
Income tax	*8*	(1,218)
Profit and total comprehensive income for the period		3,254

The accompanying notes form part of the Historical Financial Information.

Consolidated statement of financial position
(Expressed in RMB)

	Note	At 31 December 2017 RMB'000
Non-current assets		
Property and equipment	*11*	905,511
Investment properties	*12*	1,620
Goodwill	*13*	81,287
Available-for-sale securities	*15*	10,000
Deferred tax assets	*19(b)*	15
		998,433
Current assets		
Investments in debt securities	*14*	10,000
Available-for-sale securities	*15*	140,000
Trade and other receivables	*16*	23,228
Cash at bank and on hand	*17*	42,191
		215,419
Current liabilities		
Trade and other payables	*18*	385,769
Income tax payable	*19(a)*	15,104
		400,873
Net current liabilities		(185,454)
Total assets less current liabilities		812,979
Non-current liabilities		
Deferred tax liabilities	*19(b)*	208,625
Deferred income		1,100
		209,725
Net assets		603,254
Capital and reserve		
Paid-in capital		600,000
Reserve		3,254
Total equity		603,254

The accompanying notes form part of the Historical Financial Information.

Consolidated statement of changes in equity
(Expressed in RMB)

	Paid-in capital *RMB'000* *Note 20(c)*	Retained profits *RMB'000*	Total *RMB'000*
At date of establishment	—	—	—
Changes in equity for the period from date of establishment to 31 December 2017			
Profit and other comprehensive income for the period	—	3,254	3,254
Capital contribution	600,000	—	600,000
At 31 December 2017	600,000	3,254	603,254

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements
(Expressed in RMB)

	Note	For the period from date of establishment to 31 December 2017
		RMB'000
Operating activities		
Profit before taxation		4,472
Adjustments for:		
Depreciation	*7(c)*	7,393
Net valuation loss on investment property	*12*	10
Finance income	*7(a)*	(1,812)
Changes in working capital:		
Decrease in trade and other receivables		5,057
Decrease in trade and other payables		(11,913)
Net cash generated from operating activities		3,207
Income tax paid	*19*	—
Net cash generated from operating activities		3,207
Investing activities		
Payments for the purchase of property and equipment		(86)
Proceeds from disposal of investment properties	*18(iii)*	8,152
Proceeds from redemption of investments in debt securities		31,000
Payments for purchase of available-for-sale securities		(33,300)
Proceeds from redemption of available-for-sale securities		24,450
Advance to a related party		(23,000)
Acquisition of subsidiaries, net of cash paid	*6*	(843,544)
Interest received		1,812
Net cash used in investing activities		(834,516)

The accompanying notes form part of the Historical Financial Information.

	Note	For the period from date of establishment to 31 December 2017 *RMB'000*
Financing activities		
Capital contributions		600,000
Advance from a related party	*18(ii)*	273,500
Net cash generated from financing activities		873,500
Net increase in cash and cash equivalents		42,191
Cash and cash equivalents at date of establishment		—
Cash and cash equivalents at 31 December	*17*	42,191

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Pursuant to the announcement dated 5 June 2018, the Company proposed to acquire the entire issued share capital of Hangzhou Target Company from Vast Equity Investment Limited (''Hangzhou Vendor''), a company incorporated in the BVI and is wholly-owned by Mr. Suen, an independent third party, in turn to acquire the fruit, vegetables and seafood wholesale markets businesses in Hangzhou.

Hangzhou Target Company's wholly owned subsidiary, Hangzhou Honghui was established in Hangzhou, the People's Republic of China (the ''PRC'') on 23 August 2017. Hangzhou Honghui was established to acquire 100% interest in Hangzhou Vegetable Company Limited (''Hangzhou Vegetable'') and its subsidiary (together, the ''Hangzhou Vegetable Group'') by acquisition as set out in Note 6 (the ''Acquisition'') in October 2017.

Hangzhou Vegetable Group has been operating a vegetable wholesale market in Hangzhou, PRC (the ''Market'') in which vegetables are traded by the sellers and buyers. The Market provide a physical platform (in the form of trading halls) for sellers and buyers (the ''Dealers'') to sell and buy vegetables. Hangzhou Vegetable Group operates and manages the Market and collect various income, such as commission income, lease income and management and administrative service fee from the Dealers.

The Historical Financial Information of the Hangzhou Honghui Group has been prepared solely for inclusion in the Circular of the Company in connection with the Hangzhou Acquisition.

As at the date of this Historical Financial Information, no audited statutory financial statements have been prepared for Hangzhou Honghui. The financial statements of the subsidiaries of Hangzhou Honghui during the Track Record Period for which there are statutory requirements were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

As at the date of this Historical Financial Information, Hangzhou Honghui had direct or in direct interests the following subsidiaries, all of which are private companies:

Company name	Place and date of establishment	Particulars of registered and paid- up capital	Equity interest attributable to the equity shareholder of Hangzhou Honghui Direct	Indirect	Principal activities
Hangzhou Vegetable (i)/(ii) 杭州蔬菜有限公司	Hangzhou The PRC 8 June 2001	RMB726,000,000	100%	—	Operation of vegetables wholesale Market
Hangzhou Vegetable Wholesale Co., Ltd. (i)/(ii) 杭州蔬菜物流有限公司	Hangzhou The PRC 4 December 2006	RMB 200,000,000	—	100%	Operation of vegetables wholesale market

(i) The official name of all these entities are in Chinese. The English translation names for these entities are for identification only.

(ii) The statutory audit of these entities for the year ended 31 December 2017 were audited by Pan-China Certified Public Accountants (天健會計師事務所).

All companies comprising the Hangzhou Honghui Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

As at 31 December 2017, Hangzhou Honghui Group had net current liabilities of RMB185,454,000, including amounts due to a related party of RMB273,500,000 (see Note 18(ii)). The Historical Financial Information has been prepared on a going concern basis notwithstanding the above mentioned conditions, because the Hangzhou Honghui's immediate holding company, Renhe Investment Holding Company Limited, has confirmed that it will provide continuous financial support to Hangzhou Honghui Group within the next twelve months after the end of the reporting date or before the completion of the Hangzhou Acquisition, in order to enable it to meet its liabilities as and when they fall due. Accordingly, the directors of the Company consider it is appropriate to prepare the financial statements on a going concern basis.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Hangzhou Honghui Group has adopted all applicable new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting year ended 31 December 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2017 are set out in Note 27.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties are stated at their fair value as explained in the accounting policies set out in Note 2(g).

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (Note 2(r)).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying on the principal activities of the Hangzhou Honghui Group.

(d) Subsidiaries

Subsidiaries are entities controlled by the Hangzhou Honghui Group. The Hangzhou Honghui Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Hangzhou Honghui Group has power, only substantive rights (held by the Hangzhou Honghui Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Hangzhou Honghui Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Hangzhou Honghui Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Hangzhou Honghui's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(j)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non- controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 2(j)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Investments in debt and equity securities

The Hangzhou Honghui Group's policies for investments in debt and equity securities, other than investments in subsidiaries, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any distributions or interest earned on these investments as these are recognised in accordance with the policies set out in Notes 2(q)(iv) and 2(q)(vi).

Dated debt securities that the Hangzhou Vegetable Business has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (Note 2(j)(i)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (Note 2(j)). Distribution income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Notes 2(q)(iv) and 2(q)(vi), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments in debt and equity securities are derecognised or impaired, see Note 2(j)(i), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments in debt securities are recognised/derecognised on the date Hangzhou Honghui Group commits to purchase/sell the investments or they expire.

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (Note 2(i)) to earn lease income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Lease income from investment properties is accounted for as described in Note 2(q)(ii).

When the Hangzhou Honghui Group holds a property interest under an operating lease to earn lease income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (Note 2(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 2(i).

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment and leasehold improvements are measured at cost less accumulated depreciation and accumulated impairment losses (Note 2(j)(ii)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the component will flow to the Hangzhou Honghui Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives for current and comparative years are as follows:

—	Land and buildings	10–40 years
—	Office equipment and others	3–5 years
—	Vehicles	5–8 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Hangzhou Honghui Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Hangzhou Honghui Group

Assets that are held by the Hangzhou Honghui Group under leases which transfer to the Hangzhou Honghui Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Hangzhou Honghui Group are classified as operating leases.

(ii) Operating lease charges

Where the Hangzhou Honghui Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent lease are charged to profit or loss in the accounting period in which they are incurred.

(j) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other receivables that are stated at cost or amortised cost are reviewed at the end of the reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganization; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and bill receivables and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Hangzhou Honghui Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, impairment loss previously recognised no longer exists or may have decreased:

— Property and equipment;

— Goodwill;

— Investments in subsidiaries in the Hangzhou Honghui's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (Note 2(j)(i)), except where the receivables are interest-free loans made to related parties or third parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Employee benefits

(i) Short-term employee benefits and contribution to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Terminate benefits

Termination benefits are recognised at the earlier of when the Hangzhou Honghui Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in net assets, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in net assets, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Hangzhou Honghui Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(g), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the companies operating the Hangzhou Honghui Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Hangzhou Honghui Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Hangzhou Honghui Group or Hangzhou Honghui has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure excepted to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Hangzhou Honghui Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Commission income

Commission income from lease and management of agricultural wholesale market is recognised in profit or loss on a straight-line basis over the period in which the goods are traded in the agricultural produce wholesale market.

(ii) Lease income from operating lease

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised in profit or loss as an integral part of the total lease income, over the term of lease. Contingent lease are recognised as income in the accounting period in which they are earned.

(iii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Hangzhou Honghui Group will comply with the conditions attaching to them. Grants that compensate the Hangzhou Honghui Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Hangzhou Honghui Group for the cost of an asset are recognised as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

(vi) Distribution

Distributions income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(r) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the consolidated financial statements of the group and the company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non- current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Hangzhou Honghui Group if that person:

(i) has control or joint control over these companies;

(ii) has significant influence over these companies; or

(iii) is a member of the key management personnel of these companies or these companies' parent.

(b) An entity is related to the Hangzhou Honghui Group if any of the following conditions applies:

(i) The entity and the Hangzhou Honghui Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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 these companies or an entity related to these companies.

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Hangzhou Honghui Group or to the Hangzhou Honghui Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 21 contains information about the assumptions and their risk factors relating to financial risk management and fair values of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment losses for bad and doubtful debts

The Hangzhou Honghui Group estimate impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Hangzhou Honghui Group base the estimates on the aging of the receivable balance, debtors' creditworthiness, and write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment losses of non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered ''impaired'', and an impairment loss may be recognised in accordance with the accounting policy as set out in Note 2(j)(ii). The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. Hangzhou Honghui Group use all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Depreciation

Property and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Hangzhou Honghui Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the Track Record Periods. The useful lives are based on these companies' experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Taxes

The Hangzhou Honghui Group files taxes in numerous tax authorities. Judgement is required in determining the provisions for taxes. There are many transactions and calculating for which the ultimate tax determination is uncertain during the course of business. The ultimate tax determination therefore might be different from the tax provision made in the Financial Information.

4 REVENUE

Revenue primarily represents commission income from the wholesale markets, lease income from operating leases. The amounts of each significant category of revenue and net income recognised during the Track Record Period are as follows:

	For the period from date of establishment to 31 December 2017
	RMB'000
Commission income	15,382
Lease income	2,596
	17,978

During the Track Record Period, Hangzhou Honghui Group's customer base was diversified and there was no customer with whom transactions had exceeded 10% of Hangzhou Honghui Group's revenue. Details of the concentration of credit risk arising from Hangzhou Honghui Group's customers are set out in Note 21(a).

Segment reporting

The profit or loss, assets and liabilities of operation represent the single segment of operation of vegetable wholesale markets segment. All of the Hangzhou Honghui's operations are located in PRC, therefore no geographical segment reporting is presented.

5 OTHER INCOME

	For the period from date of establishment to 31 December 2017
	RMB'000
Management and administrative service fee income	1,021
Government grants	824
	1,845

6 ACQUISITION OF BUSINESS

In 2017, Hangzhou Honghui entered into agreements to acquire 100% interest of Hangzhou Vegetable from 25 independent individuals, Hangzhou City Business Travel Group Co., Ltd. and Hangzhou Vegetable Co., Ltd. Trade Union Committee, all of which are independent third parties, for a cash consideration of RMB872,528,000 ("The Acquisition"). The Acquisition was completed on 31 October 2017.

The identifiable assets acquired and liabilities assumed in the above acquisition were as follows:

	Note	Recognised values on acquisition RMB'000
Property and equipment	*11*	911,941
Investment property	*12*	1,630
Available-for-sale financial assets		141,150
Deferred tax assets	*19(b)*	13
Investments in debt securities		41,000
Trade and other receivables		5,285
Cash at bank and on hand		28,984
Trade and other payables		(114,980)
Income tax payables	*19(a)*	(12,291)
Deferred tax liabilities	*19(b)*	(210,218)
Deferred income		(1,273)
Total identifiable net assets		791,241
Goodwill	*13*	81,287
Total cash consideration		872,528
Less: cash at bank and on hand acquired		(28,984)
Net cash outflow		843,544

The goodwill is attributable mainly to the Hangzhou Vegetable Group's management and workforce, and the synergies with other agriculture markets under common control.

The values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated fair values. In determining the fair values of property and equipment, the directors of Hangzhou Honghui have referenced the fair value adjustments to valuation reports issued by independent valuers. The fair value of property and equipment located in the PRC is determined by discounting a projected cash flow projections based on financial budgets approved by management covering a 10-year period. These cash flow projections adopted annual sales growth rates ranging from 2.5% to 5%, which are based on historical experience with the operations of the Market. Cash flows beyond the five-year period are extrapolated using an estimate weighted average sales growth rate of 2.5%. The cash flows are discounted using discount rate of 10.85%. The discount rates used are pre-taxed and reflect specific risks relating to the respective property and equipment.

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance income

	For the period from date of establishment to 31 December 2017 *RMB'000*
Finance income	
— Interest income	58
— Interest/distribution income on investments in debt securities and available-for-sale financial assets	1,754
	1,812

(b) Personal expenses

	For the period from date of establishment to 31 December 2017 *RMB'000*
Wages, salaries, and other benefits	6,682
Contributions to defined contribution retirement plans	586
	7,268

(c) Other items

	For the period from date of establishment to 31 December 2017 *RMB'000*
Depreciation *(Note 11)*	7,393
Repairs and maintenance	594

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income

	For the period from date of establishment to 31 December 2017 *RMB'000*
Current tax	
Provision for the period *(Note 19(a))*	2,813
Deferred tax	
Reversal and origination of temporary difference *(Note 19(b))*	(1,595)
	1,218

The Hangzhou Honghui Group was established in the PRC and subject to PRC Corporate Income Tax at a rate of 25% during the Track Record Period.

(b) Reconciliations between tax expense and accounting loss at applicable tax rate:

	For the period from date of establishment to 31 December 2017 *RMB'000*
Profit before taxation	4,472
Notional tax on profit before taxation, calculated at the PRC corporate income tax rate	1,118
Effect on non-taxable expenses	100
Actual tax expense	1,218

9 DIRECTORS' EMOLUMENTS

The directors believe the presentation of such information is not meaningful for the purpose of this Historical Financial Information.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The directors believe the presentation of such information is not meaningful for the purpose of this Historical Financial Information.

11 PROPERTY AND EQUIPMENT

	Land and buildings	Vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At date of establishment	—	—	—	—	—
Acquisitions through acquisition of subsidiaries *(Note 6)*	907,400	640	2,075	1,826	911,941
Additions	39	877	23	24	963
Transfer in/(out)	—	—	1,850	(1,850)	—
At 31 December 2017	907,439	1,517	3,948	—	912,904
Accumulated depreciation:					
At date of establishment	—	—	—	—	—
Charge for the period *(Note 7(c))*	(7,350)	(33)	(10)	—	(7,393)
At 31 December 2017	(7,350)	(33)	(10)	—	(7,393)
Net book value:					
At 31 December 2017	900,089	1,484	3,938	—	905,511

12 INVESTMENT PROPERTIES

	At 31 December 2017
	RMB'000
At fair value:	
At date of establishment	—
Acquisition of subsidiaries *(Note 6)*	1,630
Fair value adjustment	(10)
At 31 December 2017	1,620

Note:

(i) The investment properties owned by the Hangzhou Honghui Group are located in the PRC.

(a) Fair value measurement of investment property

(i) Fair value hierarchy

The following table presents the fair value of the investment properties measured at the end of each reporting period at recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements categorised into Level 2
	2017
	RMB'000
Recurring fair value measurement	
Investment properties:	
— PRC	1,620

The investment property was measured using Level 2 valuations. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Hangzhou Honghui Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The investment property of the Hangzhou Honghui Group was revalued at 31 December 2017. The valuations were carried out by an independent firm of surveyors, BMI Appraisals Limited ("BMI"), who has among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The property manager and the finance manager of the Hangzhou Honghui Group have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting period.

(ii) Information about Level 2 fair value measurements

The fair value of the investment property located in the PRC is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis using market data which is publicly available.

13 GOODWILL

		At 31 December 2017
	Note	*RMB'000*
At date of establishment		—
Acquisition of business	*6*	81,287
At 31 December 2017		81,287

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Hangzhou Honghui Group's cash-generating unit ("CGU") identified as follows:

	At 31 December 2017
	RMB'000
Hangzhou vegetable business	81,287

Goodwill relating to acquisition of Hangzhou vegetable business as disclosed in Note 6.

The acquired business is identified to be a cash-generating unit ("CGU"), the recoverable amounts of which were determined based on fair value less cost of disposal. The fair value is measured using a quoted price for Hangzhou vegetable business.

14 INVESTMENTS IN DEBT SECURITIES

	At 31 December 2017 RMB'000
Original maturity more than three months	10,000

The debt securities represent wealth management products issued by financial institutions in the PRC with guaranteed principal amounts plus fixed or variable returns, and are recognised in accordance with the accounting policies set out in Notes 2(f) and 2(k).

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets represent investments in trust units with no guarantee of principal or returns. Up to the date of this Historical Financial Information, RMB96,300,000 have been redeemed from the total balance as at 31 December 2017.

16 TRADE AND OTHER RECEIVABLES

	At 31 December 2017 RMB'000
Trade receivables	142
Amount due from a related party *(Note (ii))*	23,000
Others	86
	23,228

Notes:

(i) All of the trade and other receivables are expected to be recovered within one year.

(ii) The amount due from a related party is unsecured, non-interest bearing and has no fixed term of repayment.

(a) Aging analysis

The aging analysis of trade receivables, based on the invoice date is as follows:

	At 31 December 2017 RMB'000
Less than 1 year	142

Further details on Hangzhou Honghui Group's credit policy are set out in Note 21(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless Hangzhou Honghui Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (Note 2(j)).

(c) Trade receivables that are not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

17 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand comprise:

	At 31 December 2017 *RMB'000*
Cash on hand	15,406
Cash at bank	26,785
Cash at bank and on hand	42,191

(b) Reconciliation of liabilities arising from financing activities

	Advance from a related party *RMB'000* *(Note 18(ii))*
At date of establishment	—
Change from financing cash flows:	
Proceeds from advance from a related party	273,500
At 31 December 2017	273,500

18 TRADE AND OTHER PAYABLES

	At 31 December 2017 *RMB'000*
Trade payables	
— Payables to wholesalers *(Note 18(a))*	64,726
Other payable and accrued expenses	
— Payables for deposits *(Note (i))*	16,958
— Salary and welfare expenses payable	10,891
— Other taxes payable	196
— Advance from a related party *(Note(ii))*	273,500
— Others	4,115
	305,660
Financial liabilities measured at amortised cost	370,386
Receipts in advance	
— Lease income	7,231
— Disposal proceeds *(Note (iii))*	8,152
	385,769

All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Notes:

(i) Deposits mainly represent deposits paid by wholesalers for the privilege to renew the operating contracts upon expiry, to sign new operating contracts and to secure the execution of the contracts.

(ii) Advance from a related party represents proceeds from Dili Agriculture Products Investment Holding Company Limited, the immediate holding company of Hangzhou Honghui, for the acquisition of Hangzhou Vegetable, which is non-interest bearing and has no fixed terms of repayment.

(iii) On 31 December 2017, Hangzhou Vegetable entered into a disposal agreement with local government to dispose one piece of its land in the city of Hangzhou (the "Disposal"), with the book value amounted to RMB1,620,000 as at 31 December 2017 (Note 12). Pursuant to the agreement, the total disposal proceeds amounted to RMB20,810,000, among which RMB8,152,000 has been paid in advance by local government as at 31 December 2017. Up to the date of this Historical Financial Information, the above transaction has been completed.

(a) Aging analysis

At 31 December 2017, the aging analysis of trade payables is as follows:

	At 31 December 2017 *RMB'000*
Due within one year or on demand	64,726

19 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	RMB'000
At date of establishment	—
Acquisitions of business *(Note 6)*	12,291
Provision for the period *(Note 8)*	2,813
At 31 December 2017	15,104

(b) Deferred tax assets and liabilities recognised:

The deferred tax assets and liabilities recognised in the consolidated statements of financial position and the movement during the period ended 2017 are as follows:

	Revaluation of properties and equipment *RMB'000* *(Note 8)*	**Revaluation of investment properties** *RMB'000* *(Note 8)*	**Net** *RMB'000*
Deferred tax arising from:			
At date of establishment	—	—	—
Acquisitions of business *(Note 6)*	(210,218)	13	(210,205)
Credited to profit or loss *(Note 8)*	1,593	2	1,595
At 31 December 2017	(208,625)	15	(208,610)

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Hangzhou Honghui Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in Hangzhou Honghui's individual components of equity between the beginning and the end of the reporting period are set out below:

	Paid-in capital *Note 20(c)* *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
At date of establishment	—	—	—
Changes in equity for the period from date of establishment to 31 December 2017			
Loss and other comprehensive income for the period	—	(54)	(54)
Capital contribution	600,000	—	600,000
At 31 December 2017	600,000	(54)	599,946

(b) Distribution

The directors of the Hangzhou Honghui Group do not recommend the payment of a final distribution for the period from date of establishment to 31 December 2017.

(c) Paid-in capital

As at 31 December 2017, the registered paid-in capital of Hangzhou Honghui was RMB600,000,000 and has been fully paid.

All shareholders are entitled to receive distributions as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Hangzhou Honghui. All shares rank equally with regard to the Hangzhou Honghui Group's residual assets.

(d) Nature and purpose of reserves

(i) Statutory reserve

In accordance with the articles of association Hangzhou Honghui Group established in the PRC, these entities were required to set up certain statutory reserves, which were non-distributable. The transfers of these reserves are at discretion of the directors of the respective subsidiaries. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(e) Capital management

Hangzhou Honghui Group's primary objectives when managing capital are to safeguard the Hangzhou Honghui Group's ability to continue as a going concern, so that it can fund its operation of agriculture wholesale markets, and provide returns for shareholders, by pricing commission income, rental and property management services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Hangzhou Honghui Group regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure its obligations and commitments are met. A proactive approach is taken to forecasting future funding requirements and, when funds are needed, market conditions are evaluated to determine the best form of finance to be secured.

Hangzhou Honghui Group monitors its capital structure on the basis of a gearing ratio, being the interest-bearing borrowings divided by the total assets. During the Track Record Periods, the gearing ratio of Hangzhou Honghui Group was nil.

Neither Hangzhou Honghui nor its subsidiaries are subject to externally imposed capital requirements.

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit and liquidity risks arises in the normal course of the Hangzhou Honghui Group's business. Hangzhou Honghui Group's exposure to these risks and the financial risk management policies and practices used by the Hangzhou Honghui Group to manage these risks are described below.

(a) Credit risk

Hangzhou Honghui Group's credit risk is primarily attributable to trade and other receivables and investments in debt and equity securities. Management has a credit policy in place and the exposure to these credit risk are monitored on an ongoing basis.

Hangzhou Honghui Group does not provide any guarantees which would expose itself to credit risk.

Further quantitative disclosures in respect of the exposure to credit risk arising from trade and other receivables are set out in Note 16.

(b) Liquidity risk

Hangzhou Honghui Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of each reporting period of Hangzhou Honghui Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date Hangzhou Honghui Group can be required to pay:

	31 December 2017	
	Contractual undiscounted cash flow within 1 year or on demand	Carrying amount
	RMB'000	*RMB'000*
Trade and other payables measured at amortised cost *(Note 18)*	370,386	370,386

(c) Fair values measurement

As at 31 December 2017, there is no financial instrument carried at fair value. The carrying amounts of the financial instruments carried at cost or amortised cost are not material different from their fair values as at 31 December 2017.

22 OPERATING LEASE COMMITMENT

(a) Leases as lessor

Total future minimum lease income under non-cancellable leases are receivable as follows:

	2017
	RMB'000
Within 1 year	4,637
After 1 year but within 2 years	3,850
After 2 years but within 5 years	153
	8,640

Hangzhou Honghui Group leases out its properties under operating leases. The leases typically run for an initial period of 1 to 7 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

23 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in the Historical Financial Information, Hangzhou Honghui Group entered into the following material related party transactions:

	At 31 December 2017
	RMB'000
Advance from the immediate holding company *(Note 18(ii))*	273,500
Advances to a fellow subsidiary *(Note 16(ii))*	23,000

24 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of Hangzhou Honghui consider the immediate and ultimate holding company of Hangzhou Honghui at 31 December 2017 to be Dili Agriculture Products Investment Holding Company Limited and Beijing Baorong Investment Holding Company Limited, respectively, which both are established in the PRC. Neither of these companies produces financial statements available for public use.

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 24 January 2018, Hangzhou Honghui entered into a share transfer agreement with three individuals, to acquire 65% equity interests in Shanghai Tongyuan Investment Management Company Limited ("Shanghai Tongyuan") and 42.09% equity interests in Hangzhou Jiaqu Investment Management Company Limited ("Hangzhou Jiaqu"), which collectively have a subsidiary, Hangzhou Changhai Company Limited ("Hangzhou Changhai"), operating a seafood wholesale market in Hangzhou, PRC. Pursuant to the agreement, Hangzhou Honghui will acquire equity interests in above companies at a consideration of RMB167,686,900.

As a condition precedent to the above acquisition, Hangzhou Honghui has injected capital of RMB99,360,000 to Hangzhou Changhai and became controlling shareholder of Hangzhou Changhai. The capital injection was completed on 25 January 2018.

Upon the completion of the above acquisition, Shanghai Tongyuan and Hangzhou Jiaqu became a wholly-owned subsidiary and an associate of Hangzhou Honghui. Update to the date of this Historical Financial Information, the above acquisition has completed.

26 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2017 RMB'000
Non-current asset		
Investments in subsidiaries	*6*	872,528
Current asset		
Cash at bank and on hand		918
Current liability		
Other payables	*18(ii)*	273,500
Net current liabilities		(272,582)
NET ASSETS		599,946
CAPITAL AND RESERVES		
Paid-in capital	*20(c)*	600,000
Reserves	*20(d)*	(54)
TOTAL EQUITY		599,946

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET AFFECT

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to Hangzhou Honghui Group.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 16, *Leases*	1 January 2019
Amendments to IAS 40, *Transfers of investment property*	1 January 2018

Hangzhou Honghui Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations are expected to be in the period of initial application. So far Hangzhou Honghui Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to Hangzhou Honghui Group.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. Hangzhou Honghui Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on Hangzhou Honghui Group's consolidated financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

— The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/ losses on disposal will be recognised in profit or loss.

— For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only distribution income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Hangzhou Honghui Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). Hangzhou Honghui Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on Hangzhou Honghui Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. Based on a preliminary assessment, if Hangzhou Honghui Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would not increase as compared with that recognised under IAS 39.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, Hangzhou Honghui Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

Hangzhou Honghui Group's revenue recognition policies are disclosed in Note 2(q). Currently, lease income, commission income and the provision of services is recognised over time.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

Hangzhou Honghui Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue.

IFRS 16, Leases

As disclosed in Note 2(i), currently Hangzhou Honghui Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Hangzhou Honghui Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will not primarily affect Hangzhou Honghui Group's accounting. Hangzhou Honghui Group does not hold lease agreements as a lessee of leases for plant and equipment.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, Hangzhou Honghui Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, Hangzhou Honghui Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether Hangzhou Honghui Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, Hangzhou Honghui Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Hangzhou Honghui Group in respect of any period subsequent to 31 December 2017.

Pursuant to the announcement dated 5 June 2018, the Company proposed to acquire the entire issued share capital of Hangzhou Target Company, the intermediate holding company of Hangzhou Honghui, from Vast Equity Investment Limited ("Hangzhou Vendor"), a company incorporated in the BVI and is wholly-owned by Mr. Suen, an independent third party. Details were set out in Note 1 to this Historical Financial Information.

PART III ACCOUNTANT'S REPORT OF THE HANGZHOU CHANGHAI

The following is the text of a report set out on pages V-77 to V-112, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RENHE COMMERCIAL HOLDINGS COMPANY LIMITED

INTRODUCTION

We report on the historical financial information relating to Hangzhou Changhai Company Limited (the "Hangzhou Changhai"), which comprises the statements of financial position as at 31 December 2015, 2016 and 2017, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the cash flow statements for each of the years ended 31 December 2015, 2016 and 2017 (the "Track Record Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information") for inclusion in the circular of Renhe Commercial Holdings Company Limited (the "Company") dated 29 June 2018 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Wise Path Holdings Limited ("Hangzhou Target Company") to acquire the fruit, vegetables and seafood markets businesses in Hangzhou (the "Hangzhou Acquisition").

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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' Report 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 Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information 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.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of Hangzhou Changhai as at 31 December 2015, 2016 and 2017 and of the financial performance and cash flows of Hangzhou Changhai for the Track Record Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page V-79 have been made.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 June 2018

HISTORICAL FINANCIAL INFORMATION

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

The financial statements of Hangzhou Changhai for the Track Record Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Statements of profit or loss and other comprehensive income
(Expressed in Renminbi ("RMB"))

		Years ended 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*4*	27,233	42,504	50,678
Net valuation gain/(loss) on investment properties		16,387	16,348	(6,356)
Other income	*5*	1,782	1,767	818
Administrative expenses		(14,029)	(8,297)	(18,196)
Other operating expenses		(10,047)	(12,414)	(10,817)
Profit from operations		21,326	39,908	16,127
Finance income		2,912	2,232	90
Finance expenses		(45,726)	(40,530)	(32,645)
Net finance expenses	*6(a)*	(42,814)	(38,298)	(32,555)
(Loss)/profit before taxation	*6*	(21,488)	1,610	(16,428)
Income tax	*7*	(6,135)	(6,141)	(430)
Loss for the year		(27,623)	(4,531)	(16,858)
Other comprehensive income for the year		—	—	—
Total comprehensive income for the year		(27,623)	(4,531)	(16,858)

The accompanying notes form part of the Historical Financial Information.

Statements of financial position
(Expressed in RMB)

		At 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Investment properties	*10*	417,699	434,931	428,575
Property and equipment	*11*	898	1,651	306
		418,597	436,582	428,881
Current assets				
Trade and other receivables	*13*	23,400	30,469	2,362
Cash at bank and on hand	*14*	71,119	75,360	7,020
		94,519	105,829	9,382
Current liabilities				
Other payables	*15*	87,501	134,186	120,566
Interest-bearing borrowings	*16*	117,680	116,600	41,000
		205,181	250,786	161,566
Net current liabilities		(110,662)	(144,957)	(152,184)
Total assets less current liabilities		307,935	291,625	276,697
Non-current liabilities				
Interest-bearing borrowings	*16*	458,100	440,180	441,680
Deferred tax liabilities	*17(a)*	40,188	46,329	46,759
		498,288	486,509	488,439
Net liabilities		(190,353)	(194,884)	(211,742)
Capital and reserves				
Paid-in capital	*18(b)*	60,000	60,000	60,000
Reserves		(250,353)	(254,884)	(271,742)
Total equity-deficit		(190,353)	(194,884)	(211,742)

The accompanying notes form part of the Historical Financial Information.

Statements of changes in equity
(Expressed in RMB)

	Paid-in capital *RMB'000* *Note 18(b)*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2015	60,000	(222,730)	(162,730)
Change in equity for the year ended 31 December 2015:			
Loss and other comprehensive income for the year	—	(27,623)	(27,623)
At 31 December 2015 and 1 January 2016	60,000	(250,353)	(190,353)
Change in equity for the year ended 31 December 2016:			
Loss and other comprehensive income for the year	—	(4,531)	(4,531)
At 31 December 2016 and 1 January 2017	60,000	(254,884)	(194,884)
Change in equity for the year ended 31 December 2017:			
Loss and other comprehensive income for the year	—	(16,858)	(16,858)
At 31 December 2017	60,000	(271,742)	(211,742)

The accompanying notes form part of the Historical Financial Information.

Cash flow statements
(Expressed in RMB)

		Years ended 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Operating activities				
Loss for the year		(27,623)	(4,531)	(16,858)
Adjustments for:				
Net valuation (gain)/loss on investment properties	*10*	(16,387)	(16,348)	6,356
Depreciation	*6(c)*	459	459	473
Impairment losses	*6(c)*	4,992	1,872	12,981
Net loss on disposal of property and equipment	*5*	—	—	306
Interest income	*6(a)*	(2,912)	(2,232)	(90)
Interest on interest-bearing borrowings	*6(a)*	45,703	40,473	32,615
Income tax	*7*	6,135	6,141	430
Changes in working capital:				
Increase in trade and other receivables		(8,113)	(1,389)	(12,355)
Increase in trade and other payables		10,099	11,781	1,673
Cash generated from operating activities		12,353	36,226	25,531
Income tax paid		—	—	—
Net cash generated from operating activities		12,353	36,226	25,531

The accompanying notes form part of the Historical Financial Information.

	Note	Years ended 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000
Investing activities				
Payments for the purchase of investment properties and property and equipment		(1,494)	(2,096)	(204)
Proceeds from disposal of property and equipment		—	—	770
Net (increase)/decrease in amounts due from third parties	13	(11,342)	(5,388)	23,091
Interest received		554	68	4,480
Net cash (used in)/generated from investing activities		(12,282)	(7,416)	28,137
Financing activities				
Proceeds from interest-bearing borrowings		558,040	312,280	85,000
Repayment of interest-bearing borrowings		(364,900)	(331,280)	(159,100)
Net (decrease)/increase in amounts due to related parties	15	(13,965)	28,673	1,250
Net (decrease)/increase in amounts due to third parties	15	(68,082)	6,231	(16,543)
Interest paid	14	(45,703)	(40,473)	(32,615)
(Increase)/decrease in restricted cash at bank	14	(60,000)	—	60,000
Net cash generated from/(used in) financing activities		5,390	(24,569)	(62,008)
Net increase/(decrease) in cash and cash equivalents		5,461	4,241	(8,340)
Cash and cash equivalents at 1 January		5,658	11,119	15,360
Cash and cash equivalents at 31 December	14	11,119	15,360	7,020

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Pursuant to the announcement dated 5 June 2018, the Company proposed to acquire the entire issued share capital of Hangzhou Target Company from Vast Equity Investment Limited (''Hangzhou Vendor''), a company incorporated in the BVI and is wholly-owned by Mr. Suen, an independent third party, in turn to acquire the fruit, vegetables and seafood wholesale markets businesses in Hangzhou, the People's Republic of China (the ''PRC'').

Hangzhou Target Company's wholly owned subsidiaries, Hangzhou Honghui Agri-products Company Limited (''Hangzhou Honghui''), Hangzhou Jiaqu Investments Management Company Limited (''Hangzhou Jiaqu'') and Shanghai Tongyuan Investments Management Company Limited (''Shanghai Tongyuan''), obtained entire interests of Hangzhou Changhai in January 2018.

Hangzhou Changhai was established on 20 January 2006 and has been operating a seafood wholesale market in Hangzhou (the ''Market'') in which seafood are traded by the sellers and buyers. The Market provides a physical platform (in the form of trading halls) for sellers and buyers (the ''Dealers'') to sell and buy the seafood. Hangzhou Changhai operates and manages the Market and collets lease income and management and administrative service fee from the Dealers.

As at the date of this Historical Financial Information, no audited statutory financial statements have been prepared for Hangzhou Changhai.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (''IFRSs'') which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (''IASs'') and Interpretations issued by the International Accounting Standards Board (the ''IASB''). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, Hangzhou Changhai has adopted all applicable new and revised IFRSs to the Track Record Periods, except for any new standards or interpretations that are not yet effective for the accounting year ended 31 December 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2018 are set out in Note 24.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'').

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

As at 31 December 2017, Hangzhou Changhai had net current liabilities of RMB152,184,000, including amounts due to related parties of RMB71,446,000 (Note 15), and incurred a loss of RMB16,858,000 for the year ended 31 December 2017. The Historical Financial Information has been prepared on a going concern basis notwithstanding the above mentioned conditions, because the Hangzhou Changhai's intermediate holding company, Renhe Investment Holding Company Limited, has confirmed that it will provide continuous financial support to Hangzhou Changhai within the next twelve months after the end of the reporting date or before the completion of the Hangzhou Acquisition, in order to enable it to meet its liabilities as and when they fall due. Accordingly, the directors of the Company consider it is appropriate to prepare the financial statements on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties are stated at their fair value as explained in the accounting policies set out in Note 2(d).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Functional and presentation currency

The financial statements are presented in Renminbi (''RMB''), rounded to the nearest thousand, which is the functional currency of Hangzhou Changhai carrying on the principal activities.

(d) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (Note 2(f)) to earn lease income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Lease income from investment properties is accounted for as described in Note 2(o)(i).

When Hangzhou Changhai holds a property interest under an operating lease to earn lease income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (Note 2(f)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 2(f).

(e) Property and equipment

(i) Recognition and measurement

Items of property and equipment and leasehold improvements are measured at cost less accumulated depreciation and accumulated impairment losses (Note 2(g)(ii)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the component will flow to Hangzhou Changhai, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives for current and comparative years are as follows:

— Vehicles	5 years
— Office equipment and others	3–5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if Hangzhou Changhai determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to Hangzhou Changhai

Assets that are held by Hangzhou Changhai under leases which transfer to Hangzhou Changhai substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to Hangzhou Changhai are classified as operating leases.

(ii) Operating lease charges

Where Hangzhou Changhai has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent leases are charged to profit or loss in the accounting period in which they are incurred.

(g) Impairment of assets

(i) Impairment of other receivables

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of the reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and bill receivables and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When Hangzhou Changhai is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that property and equipment may be impaired or, impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (Note 2(g)), except where the receivables are interest-free loans made to related parties or third parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(i) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(j) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(l) Employee benefits

(i) Short-term employee benefits and contribution to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Terminate benefits

Termination benefits are recognised at the earlier of when Hangzhou Changhai can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(m) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in net assets, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in net assets, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, Hangzhou Changhai controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(d), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the companies operating Hangzhou Changhai has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- — in the case of current tax assets and liabilities, Hangzhou Changhai intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- — in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - — the same taxable entity; or
  - — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(n) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when Hangzhou Changhai has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure excepted to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to Hangzhou Changhai and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Lease income from operating lease

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised in profit or loss as an integral part of the total lease income, over the term of lease. Contingent leases are recognised as income in the accounting period in which they are earned.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Distributions

Distributions income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(q) Related parties

(a) A person, or a close member of that person's family, is related to Hangzhou Changhai if that person:

(i) has control or joint control over these companies;

(ii) has significant influence over these companies; or

(iii) is a member of the key management personnel of these companies or these companies' parent.

(b) An entity is related to Hangzhou Changhai if any of the following conditions applies:

(i) The entity and Hangzhou Changhai are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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 these companies or an entity related to these companies.

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to Hangzhou Changhai or to Hangzhou Changhai's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 19 contains information about the assumptions and their risk factors relating to financial risk management and fair values of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Valuation of investment property

As described in Note 2(d), completed investment properties and investment properties under construction are stated at fair value based on the valuation performed by an independent firm of professional valuers.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves discounting a projected cash flow series associated with properties using risk adjusted discount rates. Valuers may make adjustments to risk- adjusted discount rates, expected market lease growth and expected occupancy rate by taking into account factors and other matters affecting the value of property. Investment properties under development are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and an allowance for developer's risk and profit. In relying on the valuation report, the management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market condition.

(b) Impairment losses for bad and doubtful debts

Hangzhou Changhai estimate impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. Hangzhou Changhai base the estimates on the aging of the receivable balance, debtors' creditworthiness, and write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(c) Impairment losses of non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with the accounting policy as set out in note 2(g)(ii). The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. Hangzhou Changhai use all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(d) Depreciation

Property and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Hangzhou Changhai reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the Track Record Periods. The useful lives are based on Hangzhou Changhai's experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Taxes

Judgement is required in determining the amount of tax provisions. There are many transactions and calculating for which the ultimate tax determination is uncertain during the course of business. The ultimate tax determination therefore might be different from the amount of tax provisions made in the financial statements.

4 REVENUE

Revenue primarily represents lease income from operating leases. The amounts of revenue recognised during the Track Record Periods are as follows:

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Lease income	27,233	42,504	50,678

During the Track Record Periods, Hangzhou Changhai's customer base was diversified and there was no customer with whom transactions had exceeded 10% of Hangzhou Changhai's revenue. Details of the concentration of credit risk arising from Hangzhou Changhai's customers are set out in Note 19.

Segment reporting

The profit or loss, assets and liabilities of operation represent the single segment of operation of vegetable wholesale markets segment. All of the Hangzhou Changhai's operations are located in the PRC, therefore no geographical segment reporting is presented.

5 OTHER INCOME

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Management and administrative service fee income	1,782	1,767	1,124
Net loss on disposal of property and equipment	—	—	(306)
	1,782	1,767	818

6 LOSS/(PROFIT) BEFORE TAXATION

Loss/(profit) before taxation is arrived at after charging/(crediting):

(a) Net finance expenses

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	2,912	2,232	90
Interest on interest-bearing borrowings	(45,703)	(40,473)	(32,615)
Bank charges and others	(23)	(57)	(30)
	(42,814)	(38,298)	(32,555)

(b) Personnel expenses

	Years ended 31 December 2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries, and other benefits	4,164	4,077	3,397
Contributions to defined contribution retirement plans	316	274	235
	4,480	4,351	3,632

(c) Other items

	Years ended 31 December 2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Depreciation *(Note 11)*	459	459	473
Operating lease charges	4,713	6,226	5,392
Repairs and maintenance	1,682	1,529	1,890
Impairment losses	4,992	1,872	12,981

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

(a) Taxation in the statement of profit or loss and other comprehensive income represents:

	Years ended 31 December 2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
Provision for the year	—	—	—
Deferred tax			
Origination and reversal of temporary differences *(Note 17)*	6,135	6,141	430

Hangzhou Changhai was established in the PRC and subject to PRC Corporate Income Tax rate of 25% during the Track Record Periods.

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rate:

	Years ended 31 December 2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit before taxation	(21,488)	1,610	(16,428)
Notional tax on (loss)/profit before taxation, calculated at the PRC corporate income tax rate	(5,372)	403	(4,107)
Effect of non-taxable expenses	4,695	1,585	3,674
Tax effect of unused tax losses	6,812	4,153	863
Actual tax expense	6,135	6,141	430

8 DIRECTORS' EMOLUMENTS

The directors believe the presentation of such information is not meaningful for the purpose of this Historical Financial Information.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The directors believe the presentation of such information is not meaningful for the purpose of this Historical Financial Information.

10 INVESTMENT PROPERTIES

At fair value:	*RMB'000*
At 1 January 2015	400,287
Additions	1,025
Fair value adjustment	16,387
At 31 December 2015 and 1 January 2016	417,699
Additions	884
Fair value adjustment	16,348
At 31 December 2016 and 1 January 2017	434,931
Fair value adjustment	(6,356)
At 31 December 2017	428,575

Notes:

(i) All of the investment properties owned by Hangzhou Changhai are located in the PRC.

(ii) As at 31 December 2015, 2016 and 2017, all investment properties were pledged as securities for interest-bearing borrowings (Note 16(c)).

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the investment properties measured at the end of each reporting period at recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements categorised into Level 3		
	Years ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Recurring fair value measurement			
Investment properties:			
— PRC	417,699	434,931	428,575

The investment properties were measured using Level 3 valuations during the Track Record Periods. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Hangzhou Changhai's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All investment properties of Hangzhou Changhai were revalued at 31 December 2015, 2016 and 2017. The valuations were carried out by an independent firm of surveyors, BMI Appraisals Limited ("BMI"), who has among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The property manager and the finance manager of Hangzhou Changhai have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting period.

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Weighted average
Investment properties — PRC	Discounted cash flow	Risk-adjusted discount rate	2015: 10.35% 2016: 10.40% 2017: 10.85%
		Expected market rental growth	2015: 2.5% 2016: 2.5% 2017: 2.5%

The fair value of investment properties located in the PRC is determined by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the expected market rental growth and occupancy rate, and negatively correlated to the risk-adjusted discount rates.

11 PROPERTY AND EQUIPMENT

	Vehicles	Office equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2015	2,146	1,220	3,366
Additions	—	469	469
At 31 December 2015 and 1 January 2016	2,146	1,689	3,835
Additions	1,182	30	1,212
At 31 December 2016 and 1 January 2017	3,328	1,719	5,047
Additions	—	204	204
Disposals	(2,299)	(1,013)	(3,312)
At 31 December 2017	1,029	910	1,939
Accumulated depreciation:			
At 1 January 2015	(1,753)	(725)	(2,478)
Charge for the year *(Note 6(c))*	(280)	(179)	(459)
At 31 December 2015 and 1 January 2016	(2,033)	(904)	(2,937)
Charge for the year *(Note 6(c))*	(280)	(179)	(459)
At 31 December 2016 and 1 January 2017	(2,313)	(1,083)	(3,396)
Charge for the year *(Note 6(c))*	(282)	(191)	(473)
Written back on disposals	1,742	494	2,236
At 31 December 2017	(853)	(780)	(1,633)
Net book value:			
At 31 December 2015	113	785	898
At 31 December 2016	1,015	636	1,651
At 31 December 2017	176	130	306

12 INTEREST IN AN ASSOCIATE

The Hangzhou Changhai's associate is an unlisted corporate entity whose quoted market price is not available:

			Proportion of ownership interest			
Company name	**Place and date of establishment**	**Particulars of issued and paid-up capital** *RMB'000*	**Hangzhou Changhai' effective interest**	**Directly held by Hangzhou Changhai**	**Indirectly held by Hangzhou Changhai**	**Principal activities**
Hangzhou Owl Pawn Company Limited	the PRC 7 May 2010	20,000	35%	35%	—	Auctions and pawns

The above associate is accounted for using the equity method in the financial statements.

On 7 May 2010, Hangzhou Changhai and other independent third parties jointly established Hangzhou Owl Pawn Company Limited (''Hangzhou Owl Pawn'') to engage in auctions and pawns in Hangzhou, the PRC, in which Hangzhou Changhai contributes RMB7,000,000 and holds 35% interest in Hangzhou Owl Pawn. Due to the unsatisfactory operational result, the carrying amount of interest in an associate was fully impaired as at the beginning date of the Historical Financial Information.

13 TRADE AND OTHER RECEIVABLES

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables *(Note 13(a))*	3,339	2,856	712
Amounts due from third parties *(Note(ii))*	17,703	23,091	—
Others	2,358	4,522	1,650
	23,400	30,469	2,362

Notes:

(i) All of the trade and other receivables are expected to be recovered within one year.

(ii) The amounts due from third parties are unsecured, non-interest bearing and has no fixed term of repayment.

(a) Aging analysis

The aging analysis of trade receivables, based on the invoice date is as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	3,339	2,856	712

Further details on Hangzhou Changhai's credit policy are set out in Note 19(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless Hangzhou Changhai is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (Note 2(g)).

(c) Trade receivables that are not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

14 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand comprise:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	148	229	50
Cash at bank	70,971	75,131	6,970
Cash at bank and on hand	71,119	75,360	7,020
Less:restricted cash at bank *(Note (i))*	(60,000)	(60,000)	—
Cash and cash equivalents in the cash flow statements	11,119	15,360	7,020

Note:

(i) Restricted cash at bank at 31 December 2015 and 2016 represent bank deposits of RMB60,000,000 pledged to secure an interest-bearing borrowing from a financial institution (Note 16(c)), which was repaid by Hangzhou Changhai during the year ended 31 December 2017.

(b) Reconciliation of liabilities arising from financing activities

	Interest-bearing borrowings *RMB'000* *(Note 16)*	Amounts due to related parties *RMB'000* *(Note 15)*	Amounts due to third parties *RMB'000* *(Note 15)*	Interest paid *RMB'000*	Total *RMB'000*
At 1 January 2015	382,640	55,488	82,613	—	520,741
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	558,040	—	—	—	558,040
Repayment of interest-bearing borrowings	(364,900)	—	—	—	(364,900)
Interest paid	—	—	—	(45,703)	(45,703)
Net decrease due to related parties	—	(13,965)	—	—	(13,965)
Net decrease due to third parties	—	—	(68,082)	—	(68,082)
Total changes from financing cash flows	193,140	(13,965)	(68,082)	(45,703)	65,390
Other change:					
Interest expenses *(Note 6(a))*	—	—	—	45,703	45,703
At 31 December 2015 and 1 January 2016	575,780	41,523	14,531	—	631,834
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	312,280	—	—	—	312,280
Repayment of interest-bearing borrowings	(331,280)	—	—	—	(331,280)
Interest paid	—	—	—	(40,473)	(40,473)
Net increase due to related parties	—	28,673	—	—	28,673
Net increase due to third parties	—	—	6,231	—	6,231
Total changes from financing cash flows	(19,000)	28,673	6,231	(40,473)	(24,569)
Other change:					
Interest expenses *(Note 6(a))*	—	—	—	40,473	40,473
At 31 December 2016 and 1 January 2017	556,780	70,196	20,762	—	647,738

	Interest-bearing borrowings RMB'000 (Note 16)	Amounts due to related parties RMB'000 (Note 15)	Amounts due to third parties RMB'000 (Note 15)	Interest paid RMB'000	Total RMB'000
At 31 December 2016 and 1 January 2017	556,780	70,196	20,762	—	647,738
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	85,000	—	—	—	85,000
Repayment of interest-bearing borrowings	(159,100)	—	—	—	(159,100)
Interest paid	—	—	—	(32,615)	(32,615)
Net increase due to related parties	—	1,250	—	—	1,250
Net decrease due to third parties	—	—	(16,543)	—	(16,543)
Total changes from financing cash flows	(74,100)	1,250	(16,543)	(32,615)	(122,008)
Other change:					
Interest expenses *(Note 6(a))*	—	—	—	32,615	32,615
At 31 December 2017	482,680	71,446	4,219	—	558,345

15 OTHER PAYABLES

	At 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000
Amounts due to: *(Note (i))*			
— related parties	41,523	70,196	71,446
— third parties	14,531	20,762	4,219
	56,054	90,958	75,665
Other payable and accrued expenses			
— Payables for deposits *(Note (ii))*	13,489	16,938	15,620
— Other taxes payable	884	1,015	807
	14,373	17,953	16,427
Financial liabilities measured at amortised cost	70,427	108,911	92,092
Receipts in advance	17,074	25,275	28,474
	87,501	134,186	120,566

All of trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Notes:

(i) The amounts are unsecured, non-interest bearing and have no fixed term of repayment.

(ii) Deposits mainly represent deposits paid by wholesalers for the privilege to renew the operating contracts upon expiry, to sign new operating contracts and to secure the execution of the contracts.

16 INTEREST-BEARING BORROWINGS

(a) The short-term interest-bearing borrowings are analysed as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Secured by investment properties and guaranteed by third parties	17,500	5,000	7,500
Secured by investment properties	—	1,000	—
Guaranteed by related parties and a third party	—	8,000	—
	17,500	14,000	7,500
Add: current portion of long-term interest-bearing borrowings *(Note 16(b))*	100,180	102,600	33,500
	117,680	116,600	41,000

(b) The long-term interest-bearing borrowings are analysed as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Secured by investment properties and guaranteed by third parties	404,000	389,500	379,500
Secured by investment properties	96,680	95,680	95,680
Pledged by bank deposits	57,600	57,600	—
	558,280	542,780	475,180
Less: current portion of long-term interest-bearing borrowings *(Note 16(a))*	(100,180)	(102,600)	(33,500)
	458,100	440,180	441,680

The long-term interest-bearing borrowings are repayable as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	100,180	102,600	33,500
After 1 year but within 2 years	113,600	48,500	68,500
After 2 years but within 5 years	137,500	234,680	266,180
After 5 years	207,000	157,000	107,000
	558,280	542,780	475,180

(c) The following assets and their respective carrying values as at 31 December 2015, 2016 and 2017 are pledged to secure Hangzhou Changhai's interest-bearing borrowings:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Investment properties *(Note 10)*	417,699	434,931	428,575
Bank deposits *(Note 14)*	60,000	60,000	—
	477,699	494,931	428,575

(d) At 31 December 2015, 2016 and 2017, Hangzhou Changhai's banking facilities amounted to RMB580,760,000, RMB580,760,000 and RMB523,160,000 were utilised to the extent of RMB565,780,000, RMB548,780,000 and RMB482,680,000, respectively.

(e) Certain of Hangzhou Changhai's interest-bearing borrowings are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If Hangzhou Changhai were to breach the covenants, the loan would become repayable on demand. At 31 December 2015, 2016 and 2017, none of the covenants relating to the interest-bearing borrowings had been breached.

17 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Deferred tax liabilities recognised:

	Revaluation of investment properties *RMB'000* *(Note 7)*
At 1 January 2015	34,053
Charged to profit or loss	6,135
At 31 December 2015 and 1 January 2016	40,188
Charged to profit or loss	6,141
At 31 December 2016 and 1 January 2017	46,329
Charged to profit or loss	430
At 31 December 2017	46,759

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(m), Hangzhou Changhai has not recognised deferred tax assets in respect of unused tax losses of RMB69,416,000, RMB90,642,000 and RMB94,094,000 as at 31 December 2015, 2016 and 2017, respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses can be carried forward for five years from the year incurred.

18 CAPITAL AND RESERVES

(a) Distributions

No distribution was made during the years ended 31 December 2015, 2016 and 2017.

(b) Paid-in Capital

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Registered and fully paid:			
At 1 January/31 December	60,000	60,000	60,000

All shareholders are entitled to receive distributions as declared from time to time and are entitled to one vote per share at shareholders' meetings of Hangzhou Changhai. All shares rank equally with regard to Hangzhou Changhai's residual assets.

(c) Capital management

Hangzhou Changhai's primary objectives when managing capital are to safeguard the its ability to continue as a going concern, so that it can fund its operation of agriculture wholesale markets, and provide returns for shareholders, by pricing rental and property management services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Hangzhou Changhai regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure its obligations and commitments are met. A proactive approach is taken to forecasting future funding requirements and, when funds are needed, market conditions are evaluated to determine the best form of finance to be secured.

Hangzhou Changhai monitors its capital structure on the basis of a gearing ratio, being the interest-bearing borrowings divided by the total assets. During the Track Record Periods, Hangzhou Changhai's strategy was to maintain the assets to liability ratio. The gearing ratio of Hangzhou Changhai at 31 December 2015, 2016 and 2017 was 112%, 103% and 110%, respectively.

Hangzhou Changhai are not subject to externally imposed capital requirements.

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of Hangzhou Changhai. Hangzhou Changhai's exposure to these risks and the financial risk management policies and practices used by Hangzhou Changhai to manage these risks are described below.

(a) Credit risk

Hangzhou Changhai's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to these credit risk are monitored on an ongoing basis.

Hangzhou Changhai does not provide any guarantees which would expose Hangzhou Changhai to credit risk.

Further quantitative disclosures in respect of the exposure to credit risk arising from other receivables are set out in Note 13.

(b) Liquidity risk

Hangzhou Changhai's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of each reporting period of Hangzhou Changhai's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date Hangzhou Changhai can be required to pay:

	At 31 December 2015 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities measured at amortised cost *(Note 15)*	70,427	—	—	—	70,427	70,427
Interest-bearing borrowings *(Note 16)*	150,108	138,572	192,028	236,810	717,518	575,780
At 31 December 2015	220,535	138,572	192,028	236,810	787,945	646,207

	At 31 December 2016 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities measured at amortised cost *(Note 15)*	108,911	—	—	—	108,911	108,911
Interest-bearing borrowings *(Note 16)*	148,724	75,637	299,677	174,615	698,653	556,780
At 31 December 2016	257,635	75,637	299,677	174,615	807,564	665,691

	At 31 December 2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities measured at amortised cost *(Note 15)*	92,092	—	—	—	92,092	92,092
Interest-bearing borrowings *(Note 16)*	70,888	95,580	315,600	115,660	597,728	482,680
At 31 December 2017	162,980	95,580	315,600	115,660	689,820	574,772

(c) Interest rate risk

Hangzhou Changhai's interest rate risk arises from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose Hangzhou Changhai to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of Hangzhou Changhai's borrowings at the end of the reporting period.

	At 31 December 2015		At 31 December 2016		At 31 December 2017	
	Effective interest rate	*RMB'000*	*Effective interest rate*	*RMB'000*	*Effective interest rate*	*RMB'000*
Fixed rate borrowings:						
— Interest-bearing borrowings	5.22%–15.00%	130,100	5.22%–15.00%	118,100	5.23%–5.44%	62,500
Variable rate borrowings:						
— Interest-bearing borrowings	6.48%–8.36%	445,680	6.48%–6.84%	438,680	6.48%–6.84%	420,180
Total borrowings		575,780		556,780		482,680
Fixed rate borrowings as a percentage of total borrowings		23%		21%		13%

(ii) Sensitivity analysis

At 31 December 2015, 2016 and 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased Hangzhou Changhai's loss after tax and accumulated losses by approximately RMB4,457,000, RMB4,387,000 and RMB4,202,000 for the years ended 31 December 2015, 2016 and 2017, respectively.

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate borrowings held by Hangzhou Changhai at the end of the reporting period, the impact of which on Hangzhou Changhai's loss after tax and accumulated losses is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for the years ended 31 December 2015, 2016 and 2017.

(d) Fair values measurement

At 31 December 2015, 2016 and 2017, there is no financial instrument carried at fair value. The carrying amounts of the financial instruments carried at cost or amortised cost are not material different from their fair values as at 31 December 2015, 2016 and 2017.

20 OPERATING LEASE

(a) Leases as lessor

Total future minimum lease payments under non-cancellable operating leases are receivables as follows:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	18,189	14,231	24,355
After 1 year but within 2 years	2,667	1,164	1,914
After 2 years but within 5 years	134	69	—
	20,990	15,464	26,269

Hangzhou Changhai leases out its properties under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

(b) Leases as lessee

Total future minimum lease payments under non-cancellable operating leases are payables as follows:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	5,102	5,557	6,087
After 1 year but within 2 years	5,557	6,087	6,375
After 2 years but within 5 years	19,358	20,526	21,138
After 5 years	25,936	18,681	11,694
	55,953	50,851	45,294

Hangzhou Changhai leases properties for the use by its seafood market operations under operating leases. The leases typically run for an initial period of 1 to 12 years, where all terms are renegotiated upon renewal.

21 MATERIAL RELATED PARTY TRANSACTION

In addition to the balances disclosed elsewhere in these financial statements, Hangzhou Changhai entered into the following material related party transaction:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Net (decrease)/increase in amounts due to the ultimate controlling shareholders *(Note 15)*	(13,965)	28,673	1,250

22 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of Hangzhou Changhai consider the immediate and ultimate holding company of Hangzhou Changhai at 31 December 2017 to be Hangzhou Jiaqu. Hangzhou Jiaqu does not produce financial statements available for public use.

23 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 25 January 2018, Hangzhou Honghui injected capital of RMB99,360,000 to Hangzhou Changhai and become the immediate holding company of Hangzhou Changhai. Accordingly, Vast Equity Investment Limited become the ultimate holding company of Hangzhou Changhai.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET AFFECT

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to Hangzhou Changhai.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 16, *Leases*	1 January 2019
Amendments to IAS 40, *Transfers of investment property*	1 January 2018

Hangzhou Changhai is in the process of making an assessment of what the impact of these amendments, new standards and interpretations are expected to be in the period of initial application. So far Hangzhou Changhai has identified some aspects of the new standards which may have a significant impact on the Historical Financial Information. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to Hangzhou Changhai.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. Hangzhou Changhai plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on Hangzhou Changhai's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

— The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

— For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only distribution income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Hangzhou Changhai has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). Hangzhou Changhai currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on Hangzhou Changhai on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. Based on a preliminary assessment, if Hangzhou Changhai were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would not increase as compared with that recognised under IAS 39.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, Hangzhou Changhai has identified the following areas which are expected to be affected:

Timing of revenue recognition

Hangzhou Changhai's revenue recognition policies are disclosed in Note 2(o). Currently, lease income and the provision of services is recognised over time.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

Hangzhou Changhai has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue.

IFRS 16, Leases

As disclosed in Note 2(f), currently Hangzhou Changhai classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Hangzhou Changhai enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising lease expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the lease expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect Hangzhou Changhai's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in Note 20(b), at 31 December 2015, 2016 and 2017 Hangzhou Changhai's future minimum lease payments under non-cancellable operating leases amount to RMB55,953,000, RMB50,851,000 and RMB45,294,000 for properties and equipment, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right- of-use assets, once IFRS 16 is adopted. Hangzhou Changhai will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, Hangzhou Changhai will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, Hangzhou Changhai will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether Hangzhou Changhai elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, Hangzhou Changhai may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Hangzhou Changhai in respect of any period subsequent to 31 December 2017.

Pursuant to the announcement dated 5 June 2018, the Company proposed to acquire the entire issued share capital of Hangzhou Target Company, the intermediate holding company of Hangzhou Changhai, from Vast Equity Investment Limited ("Hangzhou Vendor"), a company incorporated in the BVI and is wholly-owned by Mr. Suen, an independent third party. Details were set out in Note 1 to this Historical Financial Information.

PART IV ACCOUNTANTS' REPORT OF THE HANGZHOU VEGETABLE AND ITS SUBSIDIARY

The following is the text of a report set out on pages V-113 to V-148, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RENHE COMMERCIAL HOLDINGS COMPANY LIMITED

Introduction

We report on the historical financial information relating to Hangzhou Vegetables Company Limited (the "Hangzhou Vegetable") and its subsidiary (together, the "Hangzhou Vegetable Group"), which comprises the consolidated statements of financial position as at 31 December 2015, 2016 and 2017, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2015, 2016 and 2017 (the "Track Record Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information") for inclusion in the circular of Renhe Commercial Holdings Company Limited (the "Company") dated 29 June 2018 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of Wise Path Holdings Limited ("Hangzhou Target Company") to acquire the fruit, vegetables and seafood markets businesses in Hangzhou (the "Hangzhou Acquisition").

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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' Report 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 Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information 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.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of the Hangzhou Vegetable Group and Hangzhou Vegetable as at 31 December 2015, 2016 and 2017 and of the financial performance and cash flows of the Hangzhou Vegetable Group for the Track Record Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page V-115 have been made.

KPMG
Certified Public Accountants

8th Floor, Prince's Building 10 Chater Road
Central, Hong Kong

29 June 2018

HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial information of the Hangzhou Vegetable Group for the Track Record Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Consolidated statements of profit or loss and other comprehensive income
(Expressed in Renminbi ("RMB"))

		Years ended 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*4*	118,512	130,311	127,792
Net valuation loss on investment properties	*11*	(240)	(270)	(130)
Other income	*5*	5,335	5,168	5,343
Administrative expenses		(41,608)	(42,379)	(41,381)
Other operating expenses		(16,995)	(19,102)	(18,781)
Profit from operations		65,004	73,728	72,843
Finance income		10,965	11,048	11,475
Finance expenses		(58)	(73)	(78)
Net finance income	*6(a)*	10,907	10,975	11,397
Profit before taxation	*6*	75,911	84,703	84,240
Income tax	*7*	(18,895)	(21,536)	(21,166)
Profit for the year		57,016	63,167	63,074
Other comprehensive income for the year		—	—	—
Total comprehensive income for the year		57,016	63,167	63,074

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position
(Expressed in RMB)

		At 31 December		
		2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property and equipment	*10*	78,739	72,826	71,010
Investment properties	*11*	2,020	1,750	1,620
Available-for-sale financial assets	*13*	12,000	20,700	10,000
Deferred tax asset	*17(b)*	—	—	15
		92,759	95,276	82,645
Current assets				
Investments in debt securities	*12*	18,490	30,000	10,000
Available-for-sale financial assets	*13*	79,240	128,000	140,000
Trade and other receivables	*14*	50,067	50,129	23,228
Cash at bank and on hand	*15*	74,190	34,003	41,273
		221,987	242,132	214,501
Current liabilities				
Trade and other payables	*16*	110,069	102,252	112,269
Taxation	*17(a)*	4,299	16,040	15,104
		114,368	118,292	127,373
Net current assets		107,619	123,840	87,128
Total assets less current liabilities		200,378	219,116	169,773
Non-current liabilities				
Deferred tax liability	*17(b)*	71	11	—
Deferred income		2,509	1,700	1,100
		2,580	1,711	1,100
Net assets		197,798	217,405	168,673
Capital and reserves				
Paid-in capital	*18(c)*	72,600	72,600	72,600
Reserves		125,198	144,805	96,073
Total equity		197,798	217,405	168,673

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity
(Expressed in RMB)

	Paid in capital *RMB'000* *Note 18(c)*	PRC statutory reserve *RMB'000* *Note 18(d)(i)*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2015	72,600	37,297	139,785	249,682
Changes in equity for the year ended 31 December 2015:				
Profit and other comprehensive income for the year	—	—	57,016	57,016
Distributions	—	—	(108,900)	(108,900)
At 31 December 2015 and 1 January 2016	72,600	37,297	87,901	197,798
Changes in equity for the year ended 31 December 2016:				
Profit and other comprehensive income for the year	—	—	63,167	63,167
Distributions	—	—	(43,560)	(43,560)
At 31 December 2016 and 1 January 2017	72,600	37,297	107,508	217,405
Changes in equity for the year ended 31 December 2017:				
Profit and other comprehensive income for the year	—	—	63,074	63,074
Distributions	—	—	(111,806)	(111,806)
At 31 December 2017	72,600	37,297	58,776	168,673

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements
(Expressed in RMB)

		Years ended 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Operating activities				
Profit for the year		57,016	63,167	63,074
Adjustments for:				
Net valuation loss on investment properties	*11*	240	270	130
Depreciation	*6(c)*	7,640	6,449	6,418
Government grants		(810)	(809)	(600)
Net loss on disposal of property and equipment	*5*	26	11	3
Finance income	*6(a)*	(10,965)	(11,048)	(11,475)
Income tax	*7*	18,895	21,536	21,166
Changes in working capital:				
Decrease/(increase) in trade and other receivables		4,749	(62)	(99)
Increase/(decrease) in trade and other payables		15,574	(7,817)	1,865
Net cash generated from operating activities		92,365	71,697	80,482
Income tax paid	*17*	(18,322)	(9,855)	(22,128)
Net cash generated from operating activities		74,043	61,842	58,354

The accompanying notes form part of the Historical Financial Information.

		Years ended 31 December		
		2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Investing activities				
Payments for the purchase of property and equipment		(107)	(558)	(4,624)
Proceeds from disposal of property and equipment		11	11	19
Proceeds from disposal of investment properties	*16*	—	—	8,152
Payments for purchase of investments in debt securities	*12*	(10,000)	(30,000)	(10,000)
Proceeds from redemption of investments in debt securities	*12*	58,250	10,000	30,000
Payments for purchase of available-for-sale financial assets	*13*	(587,940)	(381,700)	(729,421)
Proceeds from redemption of available-for-sale financial assets	*13*	575,940	324,240	728,121
Advances to a related party	*14/21*	—	—	(23,000)
Payment for an entrusted loan to a third party	*14*	(50,000)	—	—
Repayment of an entrusted loan to a third party	*14*	—	—	50,000
Interest received		10,965	11,048	11,475
Net cash (used in)/generated from investing activities		(2,881)	(66,959)	60,722
Financing activity				
Distributions	*18(b)*	(108,900)	(43,560)	(111,806)
Net cash used in financing activity		(108,900)	(43,560)	(111,806)
Net (decrease)/increase in cash and cash equivalents		(37,738)	(48,677)	7,270
Cash and cash equivalents at 1 January		120,418	82,680	34,003
Cash and cash equivalents at 31 December	*15*	82,680	34,003	41,273

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Pursuant to the announcement of dated 5 June 2018, the Company proposed to acquire the entire issued paid in capital of Hangzhou Target Company from Vast Equity Investment Limited (''Hangzhou Vendor''), a company incorporated in the BVI and is wholly-owned by Mr. Suen, an independent third party, in turn to acquire the fruit, vegetables and seafood wholesale markets businesses in Hangzhou, the People's Republic of China (the ''PRC'').

Hangzhou Target Company's wholly owned subsidiary, Hangzhou Honghui Agri-products Company Limited (''Hangzhou Honghui'') was established on 23 August 2017. Hangzhou Honghui was established to acquire entire interest of Hangzhou Vegetable, which was established in Hangzhou on 8 June 2001.

The Hangzhou Vegetable Group has been operating a vegetable market in Hangzhou (the ''Market'') in which vegetables are traded by the sellers and buyers. The Market provide a physical platform (in the form of trading halls) for sellers and buyers (the ''Dealers'') to sell and buy vegetables. The Hangzhou Vegetable Group operates and manages the Market and collects various income, such as commission income, lease income and management and administrative service fee from the Dealers.

As at the date of this Historical Financial Information, the Hangzhou Vegetable had direct interests of the following subsidiary, of which are private company:

Company name	Place and date of establishment	Particulars of issued and paid- up capital	Registered issued/ maid-in capital	Held by Hangzhou Vegetable Group Direct	Held by Hangzhou Vegetable Group Indirect	Principal activities
Hangzhou Vegetable Wholesale Co., Ltd. 杭州蔬菜物流有限公司	Hangzhou The PRC 04 December 2006	200,000	200,000	—	100%	Operation of Vegetables wholesale market

(i) The official name of this entity is in Chinese. The English translation name for this entity is for identification only.

(ii) The statutory audit of the Hangzhou Vegetable and its subsidiary for the years ended 31 December 2015, 2016 and 2017 were audited by Pan-China Certified Public Accountants (天健會計師事務所).

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (''IFRSs'') which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (''IASs'') and Interpretations issued by the International Accounting Standards Board (the ''IASB''). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Hangzhou Vegetable Group has adopted all applicable new and revised IFRSs to the Track Record Periods, except for any new standards or interpretations that are not yet effective for the accounting year ended 31 December 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2017 are set out in Note 24.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'').

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties are stated at their fair value as explained in the accounting policies set out in Note 2(f).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Functional and presentation currency

The consolidated financial information are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Hangzhou Vegetable Group carrying on the principal activities.

(d) Subsidiaries

Subsidiaries are entities controlled by the Hangzhou Vegetable Group. The Hangzhou Vegetable Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Hangzhou Vegetable Group has power, only substantive rights (held by the Hangzhou Vegetable Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Hangzhou Vegetable Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Hangzhou Vegetable Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Hangzhou Vegetable's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Investments in debt and equity securities

The Hangzhou Vegetable Group's policies for investments in debt and equity securities, other than investments in subsidiaries, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any distributions or interest earned on these investments as these are recognised in accordance with the policies set out in Notes 2(p)(vi) and 2(p)(iv), respectively.

Dated debt securities that the Hangzhou Vegetable Group has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (Note 2(i))

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (Note 2(i)). Distribution income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Notes 2(p)(vi) and 2(p)(iv), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments in debt and equity securities are derecognised or impaired (Note 2(i)(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments in debt and equity securities are recognised/derecognised on the date the Hangzhou Vegetable Group commits to purchase/sell the investments or they expire.

(f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (Note 2(h)) to earn lease income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Lease income from investment properties is accounted for as described in Note 2(p)(ii).

When the Hangzhou Vegetable Group holds a property interest under an operating lease to earn lease income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (Note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 2(h).

(g) Property and equipment

(i) Recognition and measurement

Items of property and equipments are measured at cost less accumulated depreciation and accumulated impairment losses (Note 2(i)(ii)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the component will flow to the Hangzhou Vegetable Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives for current and comparative years are as follows:

—	Land and buildings	10–40 years
—	Vehicles	5–8 years
—	Office equipment and others	3–5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Hangzhou Vegetable Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Hangzhou Vegetable Group

Assets that are held by the Hangzhou Vegetable Group under leases which transfer to the Hangzhou Vegetable Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Hangzhou Vegetable Group are classified as operating leases.

(ii) Operating lease charges

Where the Hangzhou Vegetable Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent lease are charged to profit or loss in the accounting period in which they are incurred.

(i) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other receivables that are stated at cost or amortised cost are reviewed at the end of the reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganization; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and bill receivables and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Hangzhou Vegetable Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, impairment loss previously recognised no longer exists or may have decreased:

— Property and equipment; and

— Investment in a subsidiary in Hangzhou Vegetable's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (Note 2(i)), except where the receivables are interest-free loans made to related parties or third parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Employee benefits

(i) Short-term employee benefits and contribution to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Terminate benefits

Termination benefits are recognised at the earlier of when the Hangzhou Vegetable Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in net assets, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in net assets, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Hangzhou Vegetable Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the companies operating the Hangzhou Vegetable Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Hangzhou Vegetable Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Hangzhou Vegetable Group or Hangzhou Vegetable has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure excepted to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Hangzhou Vegetable Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Commission income

Commission income from lease and management of agricultural wholesale market is recognised in profit or loss on a straight-line basis over the period in which the goods are traded in the agricultural produce wholesale market.

(ii) Lease income from operating lease

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised in profit or loss as an integral part of the total lease income, over the term of lease. Contingent leases are recognised as income in the accounting period in which they are earned.

(iii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Hangzhou Vegetable Group will comply with the conditions attaching to them. Grants that compensate the Hangzhou Vegetable Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Hangzhou Vegetable Group for the cost of an asset are recognised as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

(vi) Distributions

Distributions income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(q) Related parties

(a) A person, or a close member of that person's family, is related to the Hangzhou Vegetable Group if that person:

(i) has control or joint control over these companies;

(ii) has significant influence over these companies; or

(iii) is a member of the key management personnel of these companies or these companies' parent.

(b) An entity is related to the Hangzhou Vegetable Group if any of the following conditions applies:

(i) The entity and the Hangzhou Vegetable Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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 these companies or an entity related to these companies.

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Hangzhou Vegetable Group or to the Hangzhou Vegetable Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 19 contains information about the assumptions and their risk factors relating to financial risk management and fair values of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment losses for bad and doubtful debts

The Hangzhou Vegetable Group estimate impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Hangzhou Vegetable Group base the estimates on the aging of the receivable balance, debtors' creditworthiness, and write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment losses of non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with the accounting policy as set out in Note 2(i)(ii). The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. The Hangzhou Vegetable Group use all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Depreciation

Property and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Hangzhou Vegetable Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the Track Record Periods. The useful lives are based on the Hangzhou Vegetable Group's experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Taxes

Judgement is required in determining the amount of tax provisions. There are many transactions and calculating for which the ultimate tax determination is uncertain during the course of business. The ultimate tax determination therefore might be different from the amount of tax provisions made in the financial statements.

4 REVENUE

Revenue primarily represents commission income from the wholesale market and lease income from operating leases. The amounts of each significant category of revenue recognised during the Track Record Periods are as follows:

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Commission income	100,713	110,207	108,381
Lease income	17,799	20,104	19,411
	118,512	130,311	127,792

During the Track Record Periods, the Hangzhou Vegetable Group's customer base was diversified and there was no customer with whom transactions had exceeded 10% of the Hangzhou Vegetable Group's revenue. Details of the concentration of credit risk arising from the Hangzhou Vegetable Group's customers are set out in Note 19.

Segment reporting

The profit or loss, assets and liabilities of operation represent the single segment of operation of vegetable wholesale markets segment. All of the Hangzhou Vegetable's operations are located in the PRC, therefore no geographical segment reporting is presented.

5 OTHER INCOME

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Management and administrative service fee income	2,445	3,064	3,562
Government grants	2,916	2,115	1,784
Net loss on disposal of property and equipment	(26)	(11)	(3)
	5,335	5,168	5,343

6 PROFIT BEFORE TAXATION

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

(a) Net finance income

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Finance income			
— Interest income on bank deposits	3,037	633	313
— Interest income on an entrusted loan to a third party	3,511	2,780	1,352
— Interest/distribution income on investments in debt securities and available-for-sale financial assets	4,417	7,635	9,810
	10,965	11,048	11,475
Finance expenses			
— Bank charges and others	(58)	(73)	(78)
	10,907	10,975	11,397

(b) Personnel expenses

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and other benefits	38,198	40,476	39,169
Contributions to defined contribution retirement plans	2,576	2,763	3,122
	40,774	43,239	42,291

(c) Other items

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation *(Note 10)*	7,640	6,449	6,418
Repairs and maintenance	1,570	2,899	2,642
Auditor's remuneration	86	82	82

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
Provision for the year *(Note 17(a))*	19,115	21,631	21,205
Over provision in respect of prior years	(168)	(35)	(13)
	18,947	21,596	21,192
Deferred tax			
Reversal and origination of temporary difference *(Note 17(b))*	(52)	(60)	(26)
	18,895	21,536	21,166

The Hangzhou Vegetable and its subsidiary were established in the PRC and subject to PRC Corporate Income Tax rate of 25% during the Track Record Periods.

(b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	75,911	84,703	84,240
Notional tax on profit before taxation, calculated at the PRC corporate income tax rate	18,977	21,176	21,060
Effect on non-taxable expenses	86	395	119
Over provision in respect of prior years	(168)	(35)	(13)
Actual tax expense	18,895	21,536	21,166

8 DIRECTORS' EMOLUMENTS

The directors believe the presentation of such information is not meaningful for the purpose of this Historical Financial Information.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The directors believe the presentation of such information is not meaningful for the purpose of this Historical Financial Information.

10 PROPERTY AND EQUIPMENT

	Land and buildings *RMB'000*	Vehicles *RMB'000*	Office equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2015	115,682	2,824	10,799	—	129,305
Additions	—	—	107	—	107
Disposals	—	(228)	(15)	—	(243)
At 31 December 2015 and 1 January 2016	115,682	2,596	10,891	—	129,169
Additions	38	343	177	—	558
Disposals	—	(427)	—	—	(427)
At 31 December 2016 and 1 January 2017	115,720	2,512	11,068	—	129,300
Additions	—	919	178	3,527	4,624
Transfer in/(out)	1,270	—	2,257	(3,527)	—
Disposals	—	(243)	(447)	—	(690)
At 31 December 2017	116,990	3,188	13,056	—	133,234
Accumulated depreciation:					
At 1 January 2015	(34,879)	(1,962)	(6,155)	—	(42,996)
Charge for the year *(Note 6(c))*	(5,621)	(261)	(1,758)	—	(7,640)
Written back on disposals	—	191	15	—	206
At 31 December 2015 and 1 January 2016	(40,500)	(2,032)	(7,898)	—	(50,430)
Charge for the year *(Note 6(c))*	(5,429)	(181)	(839)	—	(6,449)
Written back on disposals	—	405	—	—	405
At 31 December 2016 and 1 January 2017	(45,929)	(1,808)	(8,737)	—	(56,474)
Charge for the year *(Note 6(c))*	(5,473)	(128)	(817)	—	(6,418)
Written back on disposals	—	232	436	—	668
Net book value:					
At 31 December 2017	(51,402)	(1,704)	(9,118)	—	(62,224)
At 31 December 2015	75,182	564	2,993	—	78,739
At 31 December 2016	69,791	704	2,331	—	72,826
At 31 December 2017	65,588	1,484	3,938	—	71,010

11 INVESTMENT PROPERTIES

At fair value:	*RMB'000*
At 1 January 2015	2,260
Fair value adjustment	(240)
At 31 December 2015	2,020
Fair value adjustment	(270)
At 31 December 2016	1,750
Fair value adjustment	(130)
At 31 December 2017	1,620

Note:

(i) The investment properties owned by the Hangzhou Vegetable Group are located in the PRC.

(a) Fair value measurement of investment property

(i) Fair value hierarchy

The following table presents the fair value of the investment properties measured at the end of each reporting period at recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements categorised into Level 2 Years ended 31 December		
Recurring fair value measurement	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Investment property:			
— PRC	2,020	1,750	1,620

The investment property was measured using Level 2 valuations during the Track Record Periods. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Hangzhou Vegetable Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The investment property of the Hangzhou Vegetable Group was revalued at 31 December 2015, 2016 and 2017. The valuations were carried out by an independent firm of surveyors, BMI Appraisals Limited ("BMI"), who has among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The property manager and the finance manager of the Hangzhou Vegetable Group have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting period.

(ii) Information about Level 2 fair value measurements

The fair value of the investment property located in the PRC is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis using market data which is publicly available.

12 INVESTMENTS IN DEBT SECURITIES

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Original maturity more than three months	10,000	30,000	10,000
Original maturity within three months *(Note 15)*	8,490	—	—
	18,490	30,000	10,000

The debt securities represent wealth management products issued by financial institutions in the PRC with guaranteed principal amounts plus fixed or variable returns, and are recognised in accordance with the accounting policies set out in Notes 2(e) and 2(j).

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets represent investments in trust units with no guarantee of principal or returns. Up to the date of this Historical Financial Information, RMB96,300,000 have been redeemed from the total balance as at 31 December 2017.

14 TRADE AND OTHER RECEIVABLES

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables *(Note 14(a))*	67	62	142
Amounts due from:			
— a related party *(Note (ii))*	—	—	23,000
— a third party *(Note (iii))*	50,000	50,000	—
Others	—	67	86
	50,067	50,129	23,228

Notes:

(i) All of the trade and other receivables are expected to be recovered within one year.

(ii) The amount due from a related party is unsecured, non-interest bearing and has no fixed term of repayment.

(iii) The balance represents advances to a third party of RMB50,000,000 which are unsecured, bear fixed interest rates of 7.8%, 7.6% and 5.5% for the years ended 31 December 2015, 2016 and 2017, respectively, and have been fully repaid on 21 June 2017.

(a) Aging analysis

The aging analysis of trade receivables, based on the invoice date is as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	67	62	142

Further details on Hangzhou Vegetable Group's credit policy are set out in Note 19(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless Hangzhou Vegetable Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (Note 2(i)).

(c) Trade receivables that are not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

15 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	5,986	4,367	15,406
Cash at bank	68,204	29,636	25,867
Cash at bank and on hand	74,190	34,003	41,273
Add: investments in debt securities with original maturity within three months *(Note 12)*	8,490	—	—
Cash and cash equivalents in the consolidated cash flow statements	82,680	34,003	41,273

The Hangzhou Vegetable Group has no changes in liabilities arising from financing activities during the years ended 31 December of 2015, 2016 and 2017.

16 TRADE AND OTHER PAYABLES

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
— Payables to wholesalers *(Note 16(a))*	60,316	58,434	64,726
Other payable and accrued expenses			
— Payables for deposits *(Note (i))*	9,151	13,131	16,958
— Salary and welfare expenses payable	11,812	14,318	10,891
— Other taxes payable	9,121	369	196
— Others	8,148	8,077	4,115
	38,232	35,895	32,160
Financial liabilities measured at amortised cost	98,548	94,329	96,886
Receipts in advance			
— Lease income	11,521	7,923	7,231
— Disposal proceeds *(Note (ii))*	—	—	8,152
	110,069	102,252	112,269

All of trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Notes:

(i) Deposits mainly represent deposits paid by wholesalers for the privilege to renew the operating contracts upon expiry, to sign new operating contracts and to secure the execution of the contracts.

(ii) On 31 December 2017, Hangzhou Vegetable entered into a disposal agreement with local government to dispose one piece of its land in the city of Hangzhou (the "Disposal"), with the book value amounted to RMB1,620,000 as at 31 December 2017 (Note 11). Pursuant to the agreement, the total disposal proceeds amounted to RMB20,810,000, among which RMB8,152,000 has been paid in advance by local government as at 31 December 2017. Up to the date of this Historical Financial Information, the above transaction has been completed.

(a) Aging analysis

At 31 December 2015, 2016 and 2017, the aging analysis of trade payables are as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	60,316	58,434	64,726

17 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	3,674	4,299	16,040
Provision for the year *(Note 7(a))*	19,115	21,631	21,205
Over provision in respect of prior years *(Note 7(a))*	(168)	(35)	(13)
Income tax paid	(18,322)	(9,855)	(22,128)
At 31 December	4,299	16,040	15,104

(b) Deferred tax asset and liability recognised:

Deferred tax asset/liability recognised in the consolidated statement of financial position and the movements during the years ended 2015, 2016 and 2017 are as follows:

	Revaluation of investment properties
	RMB'000
At 1 January 2015	(123)
Charged to profit or loss *(Note 7(a))*	52
At 31 December 2015 and 1 January 2016	(71)
Charged to profit or loss *(Note 7(a))*	60
At 31 December 2016 and 1 January 2017	(11)
Charged to profit or loss *(Note 7(a))*	26
At 31 December 2017	15

18 CAPITAL AND RESERVES

(a) Movements in equity of Hangzhou Vegetable

The reconciliation between the opening and closing balances of each component of the Hangzhou Vegetable Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in equity of Hangzhou Vegetable during the Track Record Periods are set out below:

	Paid-in capital	PRC statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 18(c))	*(Note 18(d)(i))*		
At 1 January 2015	72,600	37,297	33,115	143,012
Changes in equity for the year ended 31 December 2015:				
Profit and other comprehensive income for the year	—	—	96,483	96,483
Distributions	—	—	(108,900)	(108,900)
At 31 December 2015 and 1 January 2016	72,600	37,297	20,698	130,595
Changes in equity for the year ended 31 December 2016:				
Profit and other comprehensive income for the year	—	—	58,115	58,115
Distributions	—	—	(43,560)	(43,560)
At 31 December 2016 and 1 January 2017	72,600	37,297	35,253	145,150
Changes in equity for the year ended 31 December 2017:				
Profit and other comprehensive income for the year	—	—	97,347	97,347
Distributions	—	—	(111,806)	(111,806)
At 31 December 2017	72,600	37,297	20,794	130,691

(b) Distributions

Distributions payable to equity shareholders of Hangzhou Vegetable attributable to the previous financial years, approved during the Track Record Periods.

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Final distribution in respect of the previous financial years, approved during the year	108,900	43,560	111,806

(c) Paid-in capital

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Registered and fully paid:			
At 1 January/31 December	72,600	72,600	72,600

All shareholders are entitled to receive distributions as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Hangzhou Vegetable. All shares rank equally with regard to the Hangzhou Vegetable Group's residual assets.

(d) Nature and purpose of reserves

(i) PRC statutory reserve

Pursuant to the Articles of Association of the PRC subsidiary comprising the Hangzhou Vegetable Group, appropriations to the PRC statutory reserve were made at a certain percentage of profit after tax determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of Hangzhou Vegetable Group. Hangzhou Vegetable Group are required to transfer 10% of their profit after tax to PRC statutory reserve in accordance with the relevant PRC regulations. The transfer could no longer be recognised when the accumulated statutory reserve fund reaches 50% of the registered capital. This PRC statutory reserve can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(e) Capital management

The Hangzhou Vegetable Group's primary objectives when managing capital are to safeguard the Hangzhou Vegetable Group's ability to continue as a going concern, so that it can fund its operation of agriculture wholesale markets, and provide returns for shareholders, by pricing commission income, rental and property management services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Hangzhou Vegetable Group regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure its obligations and commitments are met. A proactive approach is taken to forecasting future funding requirements and, when funds are needed, market conditions are evaluated to determine the best form of finance to be secured.

The Hangzhou Vegetable Group monitors its capital structure on the basis of a gearing ratio, being the interest-bearing borrowings divided by the total assets. During the Track Record Periods, the gearing ratio of Hangzhou Vegetable Group was nil.

Neither the Hangzhou Vegetable nor its subsidiary are subject to externally imposed capital requirements.

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit and liquidity risks arises in the normal course of Hangzhou Vegetable Group. The Hangzhou Vegetable Group' exposure to these risks and the financial risk management policies and practices used by Hangzhou Vegetable Group to manage these risks are described below.

(a) Credit risk

The Hangzhou Vegetable Group's credit risk is primarily attributable to trade and other receivables and investments in debt and equity securities. Management has a credit policy in place and the exposure to these credit risk are monitored on an ongoing basis.

The Hangzhou Vegetable Group does not provide any guarantees which would expose Hangzhou Vegetable Group to credit risk.

Further quantitative disclosures in respect of the exposure to credit risk arising from trade and other receivables are set out in Note 14.

(b) Liquidity risk

The Hangzhou Vegetable Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of each reporting period of the Hangzhou Vegetable Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payment s computed using contractual rates) and the earliest date Hangzhou Vegetable Group can be required to pay:

	31 December 2015		31 December 2016		31 December 2017	
	Contractual undiscounted cash flow within 1 year or on demand	**Carrying amount**	**Contractual undiscounted cash flow within 1 year or on demand**	**Carrying amount**	**Contractual undiscounted cash flow within 1 year or on demand**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities measured at amortised cost *(Note 16)*	98,548	98,548	94,329	94,329	96,886	96,886

(c) Fair values measurement

As at 31 December 2015, 2016 and 2017, there is no financial instrument carried at fair value. The carrying amounts of the financial instruments carried at cost or amortised cost are not material different from their fair values as at 31 December 2015, 2016 and 2017.

20 OPERATING LEASE COMMITMENT

(a) Leases as lessor

Total future minimum lease income under non-cancellable leases are receivable as follows:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	4,216	4,420	4,637
After 1 year but within 2 years	4,420	4,637	3,850
After 2 years but within 5 years	8,639	4,003	153
	17,275	13,060	8,640

The Hangzhou Vegetable Group leases out its properties under operating leases. The leases typically run for an initial period of 1 to 7 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

21 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in these financial statements, the Hangzhou Vegetable Group entered into the following material related party transaction:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Advances to a fellow subsidiary *(Note 14)*	—	—	23,000

22 STATEMENTS OF FINANCIAL POSITION OF HANGZHOU VEGETABLE

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Interest in a subsidiary	20,000	20,000	20,000
Property and equipment	6,355	5,661	5,929
Investment properties	2,020	1,750	1,620
Available-for-sale financial assets	6,000	20,700	10,000
Deferred tax asset	—	—	15
	34,375	48,111	37,564
Current assets			
Investments in debt securities	8,490	—	—
Available-for-sale financial assets	52,000	52,000	105,000
Trade and other receivables	50,000	50,016	15
Cash at bank and on hand	12,609	12,958	6,424
	123,099	114,974	111,439
Current liabilities			
Trade and other payables	26,480	17,551	17,669
Taxation	119	373	643
	26,599	17,924	18,312
Net current assets	96,500	97,050	93,127
Total assets less current liabilities	130,875	145,161	130,691
Non-current liabilities			
Deferred tax liability	71	11	—
Deferred income	209	—	—
	280	11	—
NET ASSETS	130,595	145,150	130,691
Capital and reserves			
Paid-in capital	72,600	72,600	72,600
Reserves	57,995	72,550	58,091
TOTAL EQUITY	130,595	145,150	130,691

23 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of Hangzhou Vegetable consider the immediate and ultimate holding company of Hangzhou Vegetable at 31 December 2017 to be Hangzhou Honghui and Beijing Baorong Investment Holding Company Limited, respectively. Neither of these companies produces financial statements available for public use.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET AFFECT

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Hangzhou Vegetable Group.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 16, *Leases*	1 January 2019
Amendments to IAS 40, *Transfers of investment property*	1 January 2018

The Hangzhou Vegetable Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations are expected to be in the period of initial application. So far the Hangzhou Vegetable Group has identified some aspects of the new standards which may have a significant impact on the financial information. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Hangzhou Vegetable Group.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Hangzhou Vegetable Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Hangzhou Vegetable Group's consolidated financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

— The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

— For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Hangzhou Vegetable Group has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Hangzhou Vegetable Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Hangzhou Vegetable Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. Based on a preliminary assessment, if the Hangzhou Vegetable Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would not increase as compared with that recognised under IAS 39.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Hangzhou Vegetable Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

The Hangzhou Vegetable Group's revenue recognition policies are disclosed in Note 2(p). Currently, lease income is recognised over time.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Hangzhou Vegetable Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue.

IFRS 16, Leases

As disclosed in Note 2(h), currently the Hangzhou Vegetable Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Hangzhou Vegetable Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising lease expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the lease expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will not primarily affect Hangzhou Vegetable Group's accounting. Hangzhou Vegetable Group's does not hold lease agreements as a lessee of leases for properties, plant and equipment.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Hangzhou Vegetable Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Hangzhou Vegetable Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Hangzhou Vegetable Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Hangzhou Vegetable Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

SUBSEQUENT CONSOLIDATED FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Hangzhou Vegetable or its subsidiary in respect of any period subsequent to 31 December 2017.

Pursuant to the announcement dated 5 June 2018, the Company proposed to acquire the entire issued share capital of Hangzhou Target Company, the intermediate holding company of Hangzhou Vegetable, from Vast Equity Investment Limited ("Hangzhou Vendor"), a company incorporated in the BVI and is wholly-owned by Mr. Suen, an independent third party. Details were set out in Note 1 to this Historical Financial Information.

PART V ACCOUNTANTS' REPORT OF THE HANGZHOU FRUIT-PRODUCTS AND ITS SUBSIDIARIES

The following is the text of a report set out on pages V-149 to V-191, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RENHE COMMERCIAL HOLDINGS COMPANY LIMITED

Introduction

We report on the historical financial information relating to Hangzhou Fruit-products Group Company Limited (the ''Hangzhou Fruit-products'') and its subsidiary (together, the ''Hangzhou Fruit-products Group''), which comprises the consolidated statements of financial position as at 31 December 2015, 2016 and 2017, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2015, 2016 and 2017 (the ''Track Record Periods''), and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information'') for inclusion in the circular of Renhe Commercial Holdings Company Limited (the ''Company'') dated 29 June 2018 (the ''Circular'') in connection with the proposed acquisition of the entire issued share capital of Wise Path Holdings Limited (''Hangzhou Target Company'') to acquire the fruit, vegetables and seafood markets businesses in Hangzhou (the ''Hangzhou Acquisition'').

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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' Report 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 Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information 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.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the consolidated financial position of the Hangzhou Fruit-products Group as at 31 December 2015, 2016 and 2017 and of the consolidated financial performance and cash flows of the Hangzhou Fruit-Products Group for the Track Record Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page V-151 have been made.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 June 2018

HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial statements of the Hangzhou Fruit-products Group for the Track Record Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Consolidated statements of profit or loss and other comprehensive income
(Expressed in Renminbi ("RMB"))

		Years ended 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*4*	156,610	158,609	163,212
Cost of sales		(6,147)	(7,135)	(3,636)
Gross profit		150,463	151,474	159,576
Net valuation gain on an investment property	*11*	2,500	6,400	7,000
Other income	*5*	636	2,384	3,617
Administrative expenses		(22,505)	(101,988)	(24,763)
Other operating expenses		(91,245)	(98,285)	(95,898)
Profit/(loss) from operations		39,849	(40,015)	49,532
Finance income		4,846	4,225	5,870
Finance expenses		(4,067)	(2,965)	(3,989)
Net finance income	*6(a)*	779	1,260	1,881
Share of losses of associates	*12*	—	(706)	—
Profit/(loss) before taxation	*6*	40,628	(39,461)	51,413
Income tax	*7*	(9,517)	(10,011)	(13,301)
Profit/(loss) for the year		31,111	(49,472)	38,112
Other comprehensive income for the year		—	—	—
Total comprehensive income for the year		31,111	(49,472)	38,112

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position
(Expressed in RMB)

		At 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property and equipment	*10*	277,472	269,202	262,788
Investment property	*11*	69,500	75,900	82,900
Interests in associates	*12*	—	—	—
		346,972	345,102	345,688
Current assets				
Investments in debt securities	*13*	—	—	54,010
Trade and other receivables	*14*	8,844	32,747	22,370
Cash at bank and on hand	*15*	159,158	136,756	195,514
		168,002	169,503	271,894
Current liabilities				
Trade and other payables	*16*	118,741	163,262	270,583
Interest-bearing borrowings	*17*	15,050	40,000	30,000
Taxation	*18*	9,134	6,420	1,404
		142,925	209,682	301,987
Net current assets/(liabilities)		25,077	(40,179)	(30,093)
Total assets less current liability		372,049	304,923	315,595
Non-current liabilities				
Deferred tax liability	*18*	14,390	16,136	18,067
Net assets		357,659	288,787	297,528
Capital and reserves				
Paid-in capital	*19(c)*	90,000	120,000	120,000
Reserves	*19(d)*	267,659	168,787	177,528
Total equity		357,659	288,787	297,528

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity
(Expressed in RMB)

	Paid-in capital *RMB'000* *Note 19(c)*	PRC statutory reserve *RMB'000* *Note 19 (d)(i)*	Other reserve *RMB'000* *Note 19 (d)(ii)*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2015	30,000	26,710	(1,250)	253,993	309,453
Changes in equity for the year ended 31 December 2015:					
Profit and other comprehensive income for the year	—	—	—	31,111	31,111
Capital contributions	60,000	—	(2,600)	—	57,400
Appropriation to reserves	—	2,545	—	(2,545)	—
Distributions	—	—	—	(40,305)	(40,305)
At 31 December 2015 and 1 January 2016	90,000	29,255	(3,850)	242,254	357,659
Changes in equity for the year ended 31 December 2016:					
Loss and other comprehensive income for the year	—	—	—	(49,472)	(49,472)
Capital contributions	30,000	—	(10,400)	—	19,600
Distributions	—	—	—	(39,000)	(39,000)
At 31 December 2016 and 1 January 2017	120,000	29,255	(14,250)	153,782	288,787
Changes in equity for the year ended 31 December 2017:					
Profit and other comprehensive income for the year	—	—	—	38,112	38,112
Appropriation to reserves	—	3,827	—	(3,827)	—
Distributions	—	—	—	(29,371)	(29,371)
At 31 December 2017	120,000	33,082	(14,250)	158,696	297,528

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements
(Expressed in RMB)

		Years ended 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Operating activities				
Profit/(loss) for the year		31,111	(49,472)	38,112
Adjustments for:				
Net valuation gain on an investment property	*11*	(2,500)	(6,400)	(7,000)
Share of losses of associates	*12*	—	706	—
Impairment losses	*6(c)*	—	79,294	—
Depreciation	*6(c)*	10,254	10,967	11,093
Net loss on disposal of property and equipment	*5*	225	17	84
Interest income	*6(a)*	(4,846)	(4,225)	(5,870)
Interest on interest-bearing borrowings	*6(a)*	4,064	2,345	3,094
Income tax	*7*	9,517	10,011	13,301
Changes in working capital:				
Decrease/(increase) in trade and other receivables		64,179	(1,053)	2,377
(Decrease)/increase in trade and other payables		(59,980)	14,521	(5,315)
Net cash generated from operating activities		52,024	56,711	49,876
Income tax paid	*18(a)*	(8,030)	(10,979)	(16,386)
Net cash generated from operating activities		43,994	45,732	33,490

The accompanying notes form part of the Historical Financial Information.

		Years ended 31 December		
		2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Investing activities				
Payments for the purchase of property and equipment		(7,374)	(2,726)	(4,866)
Proceeds from disposal of property and equipment		17	12	103
Proceeds from disposal of an investment property	*16*	—	—	142,636
Payments for acquisition of associates	*12*	—	(30,000)	—
Payment for deposits for acquisition	*14*	—	—	(10,000)
Payments for advances to associates		—	(50,000)	—
Net (increase)/decrease in amounts due from third parties	*14*	(1,950)	(24,850)	16,150
Repayment from a related party	*14*	—	2,000	1,850
Payments for purchase of investments in debt securities	*13*	—	—	(4,010)
Interest received		4,846	4,225	5,870
Net cash (used in)/generated from investing activities		(4,461)	(101,339)	147,733
Financing activities				
Capital contributions		57,400	19,600	—
Distributions paid		(40,305)	(9,000)	(59,371)
Proceeds from interest-bearing borrowings		31,000	40,000	50,000
Repayment of interest-bearing borrowings		(55,950)	(15,050)	(60,000)
Interest paid		(4,064)	(2,345)	(3,094)
Net cash (used in)/generated from financing activities		(11,919)	33,205	(72,465)
Net increase/(decrease) in cash and cash equivalents		27,614	(22,402)	108,758
Cash and cash equivalents at 1 January		131,544	159,158	136,756
Cash and cash equivalents at 31 December	*15*	159,158	136,756	245,514

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Pursuant to the announcement dated 5 June 2018, the Company proposed to acquire the entire issued share capital of Hangzhou Target Company from Vast Equity Investment Limited (''Hangzhou Vendor''), a company incorporated in the BVI and is wholly-owned by Mr. Suen, an independent third party, in turn to acquire the fruit, vegetables and seafood wholesale markets businesses in Hangzhou, the People's Republic of China (the ''PRC'').

Hangzhou Target Company's wholly owned subsidiary, Hangzhou Zhaorong Agri-products Company Limited (''Hangzhou Zhaorong'') was established in Hangzhou on 18 April 2017. Hangzhou Zhaorong was established to acquire 80% interest in Hangzhou Fruit-products, which was established in Hangzhou on 18 June 2001.

Hangzhou Fruit-products Group has been operating a fruit wholesale market in Hangzhou, PRC (the ''Market'') in which fruits are traded by the sellers and buyers. The Market provides a physical platform (in the form of trading halls) for sellers and buyers (the ''Dealers'') to sell and buy fruits. Hangzhou Fruit-products Group operates and manages the Market and collects various income, such as commission income, lease income and management and administrative service fee from the Dealers.

In addition, subsidiaries of Hangzhou Fruit-products, Hangzhou Fruit-products Investment Management Partnership, Hangzhou Fruit-products E-business Development Co., Ltd., Hangzhou Hangguo Fruit-products Supermarket Co., Ltd., and Hangzhou Fruit-products delivery Co., Ltd. have been engaging in e-commerce, logistics distribution and supermarket operations, which are dissimilar from the Hangzhou Fruit- products Group (the ''Other Businesses'') and have been disposed as at the date of this Historical Financial Information.

The Historical Financial Information of the Hangzhou Fruit-products Group has been prepared solely for inclusion in the Circular of the Company in connection with the Hangzhou Acquisition. For the purpose of preparation of the Historical Financial Information of Hangzhou Fruit-products Group owned and operated by the Hangzhou Fruit-products and will be acquired by the Company through the Hangzhou Acquisition, the assets and liabilities and operating results of the Other Businesses have been excluded. The Other Businesses are managed by separate management personnel and are, in the opinion of the directors of the Company, clearly delineated from the Hangzhou Fruit-products Group. As a result of exclusion of the Other Businesses, the net assets of the Other Businesses were debited in other reserve of the Historical Financial Information of Hangzhou Fruit-products Group.

As at the date of the Historical Financial Information, the Hangzhou Fruit-products had direct interest in the following subsidiary, of which is a private company.

Company name	Place and date of establishment	Particulars of registered/ issued and paid-up capital	Percentage of ownership interest		Principal activities
			Direct	Indirect	
Hangzhou Fruit-products Wholesale Co., Ltd. 杭州果品批發有限公司	Hangzhou the PRC 23 May 2006	100,000	—	80%	Fruits wholesale and Retail

(i) The official name of this entity is in Chinese. The English translation name for this entity is for identification only.

(ii) The statutory audit of the Hangzhou Fruit-products and its subsidiary for the year ended 31 December 2015, 2016 and 2017 were audited by Zhejiang Chongshin Certified Public Accountants Co., Ltd. (浙江中信會計師事務所有限公司).

All companies comprising Hangzhou Fruit-products Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Hangzhou Fruit-products Group has adopted all applicable new and revised IFRSs to the Track Record Periods, except for any new standards or interpretations that are not yet effective for the accounting year ended 31 December 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2017 are set out in Note 26.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

As at 31 December 2017, Hangzhou Fruit-products Group had net current liabilities of RMB30,093,000. The Historical Financial Information has been prepared on a going concern basis notwithstanding the above mentioned conditions, because the Hangzhou Fruit-products Group's intermmediate holding company, Renhe Investment Holding Company Limited, has confirmed that it will provide continuous financial support to Hangzhou Fruit-products Group within the next twelve months after the end of the reporting date or before the completion of the Hangzhou Acquisition, in order to enable it to meet its liabilities as and when they fall due. Accordingly, the directors of the Company consider it is appropriate to prepare the financial statements on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment property is stated at its fair value as explained in the accounting policies set out in Note 2(h).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the Hangzhou Fruit-products Group carrying on the principal activities.

(d) Subsidiaries

Subsidiaries are entities controlled by the Hangzhou Fruit-products Group. The Hangzhou Fruit-products Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Hangzhou Fruit- products Group has power, only substantive rights (held by the Hangzhou Fruit-products Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Hangzhou Fruit-products Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Hangzhou Fruit-products Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Hangzhou Fruit-products Group's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates

An associate is an entity in which the Hangzhou Fruit-products Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Hangzhou Fruit-products Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Hangzhou Fruit-products Group's share of the investee's net assets and any impairment loss relating to the investment (Note 2(k)). Any acquisition-date excess over cost, the Hangzhou Fruit-products Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the consolidated statements of profit or loss and other comprehensive income, whereas the Hangzhou Fruit-products Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of profit or loss and other comprehensive income.

When the Hangzhou Fruit-products Group's share of losses exceeds its interest in the associate, the Hangzhou Fruit-products Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Hangzhou Fruit-products Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Hangzhou Fruit-products Group's interest is the carrying amount of the investment under the equity method together with the Hangzhou Fruit-products Group's long-term interests that in substance form part of the Hangzhou Fruit-products Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Hangzhou Fruit-products Group and its associates are eliminated to the extent of the Hangzhou Fruit-products Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Hangzhou Fruit-products Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Hangzhou Fruit-products' statements of financial position, investments in associates are stated at the cost less impairment losses (Note 2(k)).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 2(k)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Investments in debt securities

The Hangzhou Fruit-products Group's policies for investments in debt securities, other than investments in subsidiaries and associate, are as follows:

Investments in debt securities not at fair value through profit or loss are initially stated at fair value plus directly attributable transaction costs, where fair value is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets.

Investments in debt securities which do not fall into the categories of loans and receivables, investments in securities held for trading or held-to-maturity are classified as available-for-sale securities. Interest income from debt securities calculated using the effective interest method is recognised in profit or loss in accordance with the policies set out in Note 2(s)(v).

When the investments in debt securities are derecognised or impaired, see Note 2(k)(i), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments in debt securities are recognised/derecognised on the date Hangzhou Fruit- products commits to purchase/sell the investments or they expire.

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (Note 2(j)) to earn lease income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Lease income from investment properties is accounted for as described in Note 2(s)(ii).

When the Hangzhou Fruit-products Group holds a property interest under an operating lease to earn lease income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (Note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 2(j).

(i) Property and equipment

(i) Recognition and measurement

Items of property and equipment and leasehold improvements are measured at cost less accumulated depreciation and accumulated impairment losses (Note 2(k)(ii)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied with the component will flow to the Hangzhou Fruit-products Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

The estimated useful lives for current and comparative years are as follows:

—	Land and buildings	10–40 years
—	Machinery	5–10 years
—	Vehicles	5–12 years
—	Office equipment and others	3–5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Hangzhou Fruit-products Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Hangzhou Fruit-products Group

Assets that are held by the Hangzhou Fruit-products Group under leases which transfer to the Hangzhou Fruit-products Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Hangzhou Fruit- products Group are classified as operating leases.

(ii) Operating lease charges

Where the Hangzhou Fruit-products Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent leases are charged to profit or loss in the accounting period in which they are incurred.

(k) Impairment of assets

(i) Impairment of investments in debt securities and other receivables

Investments in debt securities and other receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates accounted for under the equity method in the consolidated financial statements (Note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and bill receivables and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Hangzhou Fruit-products Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, impairment loss previously recognised no longer exists or may have decreased:

— Property and equipment;

— Goodwill; and

— Investments in subsidiaries and associates in the Hangzhou Fruit-products' statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (Note 2(k)), except where the receivables are interest-free loans made to related parties or third parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

(i) Short-term employee benefits and contribution to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Terminate benefits

Termination benefits are recognised at the earlier of when the Hangzhou Fruit-products Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in net assets, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in net assets, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Hangzhou Fruit-products Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the companies operating the Hangzhou Fruit-products Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Hangzhou Fruit-products Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Hangzhou Fruit-products Group or the Hangzhou Fruit-products has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure excepted to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Hangzhou Fruit- products Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Commission income

Commission income from lease and management of agricultural wholesale market is recognised in profit or loss on a straight-line basis over the period in which the goods are traded in the agricultural produce wholesale market.

(ii) Lease income from operating lease

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised in profit or loss as an integral part of the total lease income, over the term of lease. Contingent lease are recognised as income in the accounting period in which they are earned.

(iii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iv) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Hangzhou Fruit- products Group will comply with the conditions attaching to them. Grants that compensate the Hangzhou Fruit-products Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Hangzhou Fruit-products Group for the cost of an asset are recognised as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

(vii) Distributions

Distributions income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Hangzhou Fruit-products Group if that person:

(i) has control or joint control over these companies;

(ii) has significant influence over these companies; or

(iii) is a member of the key management personnel of these companies or these companies' parent.

(b) An entity is related to the Hangzhou Fruit-products Group if any of the following conditions applies:

(i) The entity and the Hangzhou Fruit-products Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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 these companies or an entity related to these companies.

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Hangzhou Fruit-products Group or to the Hangzhou Fruit-products Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 20 contains information about the assumptions and their risk factors relating to financial risk management and fair values of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment losses for bad and doubtful debts

The Hangzhou Fruit-products Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Hangzhou Fruit-products Group bases the estimates on the aging of the receivable balance, debtors' creditworthiness, and write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment losses of non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with the accounting policy as set out in Note 2(k)(ii). The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. Hangzhou Fruit-products Group use all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Depreciation

Property and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Hangzhou Fruit-products Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during the Track Record Periods. The useful lives are based on Hangzhou Fruit-products Group's experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(d) Taxes

Judgement is required in determining the amount of tax provisions. There are many transactions and calculating for which the ultimate tax determination is uncertain during the course of business. The ultimate tax determination therefore might be different from the amount of tax provisions made in the financial statements.

4 REVENUE

Revenue primarily represents commission income from the wholesale markets, lease income from operating leases and sales of goods. The amounts of each significant category of revenue and net income recognised during the Track Record Periods are as follows:

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Commission income	137,703	136,490	142,346
Lease income	12,257	14,218	16,680
Sales of goods	6,650	7,901	4,186
	156,610	158,609	163,212

During the Track Record Periods, the Hangzhou Fruit-products Group's customer base was diversified and there was no customer with whom transactions had exceeded 10% of the Hangzhou Fruit-products Group's revenue. Details of the concentration of credit risk arising from the Hangzhou Fruit-products Group's customers are set out in Note 20.

Segment reporting

The profit or loss, assets and liabilities of operation represent the single segment of operation of vegetable wholesale markets segment. All of the Hangzhou Changhai's operations are located in the PRC, therefore no geographical segment reporting is presented.

5 OTHER INCOME

	Years ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Management and administrative service fee income	257	2,241	2,117
Government grants	604	160	1,584
Net loss on disposal of property and equipment	(225)	(17)	(84)
	636	2,384	3,617

6 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Net finance income

	Years ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Interest income	4,846	4,225	5,870
Interest on interest-bearing borrowings	(4,064)	(2,345)	(3,094)
Bank charges and others	(3)	(620)	(895)
	779	1,260	1,881

(b) Personnel expenses

	Years ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and other benefits	67,271	71,773	69,941
Contributions to defined contribution retirement plans	3,564	3,983	4,984
	70,835	75,756	74,925

(c) Other items

	Years ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Depreciation *(Note 10)*	10,254	10,967	11,093
Auditor's remuneration	130	226	1,129
Operating lease charges	12,351	12,800	13,227
Repairs and maintenance	4,165	5,456	6,364
Impairment losses *(Note 12)*	—	79,294	—

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
Provision for the year *(Note 18(a))*	9,399	8,441	11,039
(Over)/under provision in respect of prior years	(691)	(176)	331
	8,708	8,265	11,370
Deferred tax			
Reversal and origination of temporary difference *(Note 18(b))*	809	1,746	1,931
	9,517	10,011	13,301

The Hangzhou Fruit-products and its subsidiaries were established in the PRC and subject to PRC Corporate Income Tax rate of 25% during the Track Record Periods.

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rate:

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation	40,628	(39,461)	51,413
Notional tax on profit/(loss) before taxation, calculated at the PRC corporate income tax rate	10,157	(9,865)	12,853
Effect on non-taxable expenses	51	20,052	117
(Over)/under provision in respect of prior years	(691)	(176)	331
Actual tax expense	9,517	10,011	13,301

8 DIRECTORS' EMOLUMENTS

The directors believe the presentation of such information is not meaningful for the purpose of this Historical Financial Information.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The directors believe the presentation of such information is not meaningful for the purpose of this Historical Financial Information.

10 PROPERTY AND EQUIPMENT

	Land and buildings	Machinery	Vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2015	309,143	6,934	5,229	6,386	—	327,692
Additions	710	41	1,945	3,719	959	7,374
Transfer in/(out)	259	—	—	—	(259)	—
Disposals	—	(83)	(692)	—	—	(775)
At 31 December 2015 and 1 January 2016	310,112	6,892	6,482	10,105	700	334,291
Additions	643	339	977	8	759	2,726
Transfer in/(out)	1,028	—	—	—	(1,028)	—
Disposals	—	—	(189)	(139)	—	(328)
At 31 December 2016 and 1 January 2017	311,783	7,231	7,270	9,974	431	336,689
Additions	1,801	17	2,054	29	965	4,866
Transfer in/(out)	—	—	—	976	(976)	—
Disposals	—	(5)	(1,215)	—	—	(1,220)
At 31 December 2017	313,584	7,243	8,109	10,979	420	340,335
Accumulated depreciation:						
At 1 January 2015	(41,320)	(1,843)	(2,777)	(1,158)	—	(47,098)
Charge for the year *(Note 6(c))*	(8,584)	(454)	(364)	(852)	—	(10,254)
Written back on disposals	—	49	484	—	—	533
At 31 December 2015 and 1 January 2016	(49,904)	(2,248)	(2,657)	(2,010)	—	(56,819)
Charge for the year *(Note 6(c))*	(9,032)	(466)	(500)	(969)	—	(10,967)
Written back on disposals	—	—	179	120	—	299
At 31 December 2016 and 1 January 2017	(58,936)	(2,714)	(2,978)	(2,859)	—	(67,487)
Charge for the year *(Note 6(c))*	(9,044)	(465)	(610)	(974)	—	(11,093)
Written back on disposals	—	5	1,028	—	—	1,033
At 31 December 2017	(67,980)	(3,174)	(2,560)	(3,833)	—	(77,547)
Net book value:						
At 31 December 2015	260,208	4,644	3,825	8,095	700	277,472
At 31 December 2016	252,847	4,517	4,292	7,115	431	269,202
At 31 December 2017	245,604	4,069	5,549	7,146	420	262,788

Note: As at 31 December 2015, 2016 and 2017, certain of properties, which had an aggregate carrying value of RMB66,538,000, RMB64,468,000, RMB61,398,000, respectively, were pledged as securities for interest-bearing borrowings (Note 17).

11 INVESTMENT PROPERTY

At fair value:	*RMB'000*
At 1 January 2015	67,000
Fair value adjustment	2,500
At 31 December 2015 and 1 January 2016	69,500
Fair value adjustment	6,400
At 31 December 2016 and 1 January 2017	75,900
Fair value adjustment	7,000
At 31 December 2017	82,900

Note:

(i) The investment property owned by the Hangzhou Fruit-products Group is located in the PRC.

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the investment property measured at the end of each reporting period at recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements categorised into Level 2 Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Recurring fair value measurement			
Investment property:			
— PRC	69,500	75,900	82,900

The investment property was measured using Level 2 valuations during the Track Record Periods. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Hangzhou Fruit-products Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The investment property of the Hangzhou Fruit-products Group was revalued at 31 December 2015, 2016 and 2017. The valuations were carried out by an independent firm of surveyors, BMI Appraisals Limited ("BMI"), who has among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The property manager and the finance manager of the Hangzhou Fruit-products Group have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting period.

(ii) Information about Level 2 fair value measurements

The fair value of the investment property located in the PRC is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis using market data which is publicly available.

12 INTEREST IN ASSOCIATES

The Hangzhou Fruit-products Group's material associate is an unlisted corporate entity whose quoted market price is not available:

Company name	Place and date of establishment	Particulars of issued and paid-up capital	Proportion of ownership interest: Hangzhou Fruit-products' effective interest	Directly held by Hangzhou Fruit-products	Indirectly held by Hangzhou Fruit-products	Principal activities
		RMB'000				
Pinghu Agricultural and Sideline Products Company Limited	the PRC 16 November 1999	13,650	25%	—	25%	Agricultural products wholesale

The above associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	At 31 December 2016 RMB'000	At 31 December 2017 RMB'000
Gross amounts of the associate's		
Current assets	29,972	23,348
Non-current assets	195,135	196,150
Current liabilities	(81,953)	(67,902)
Non-current liabilities	(70,600)	(80,600)
Equity	72,554	70,996

	Period from 7 July to 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000
Revenue	14,324	18,149
Loss for the period	(2,824)	(1,559)
Other comprehensive income	—	—
Reconciled to the interest in associates		
Gross amounts of net assets of the associate	72,554	70,996
Effective interests	25%	25%
Share of net assets of the associate	18,139	17,749
Goodwill	11,155	11,155
Impairment losses	(29,294)	(29,294)
Adjustment for share of loss in associates	—	390
Carrying amount in the consolidated financial statements	—	—

Hangzhou Fruit-products entered into a sale and purchase agreement in the year 2016 to indirectly hold 25% effective interest in Pinghu Agricultural and Side-line Products Company Limited (the "Pinghu Agricultural"), which owned an agricultural products market (the "Pinghu Market") in Zhejiang province, PRC, with the consideration of RMB30,000,000. Furthermore, the Hangzhou Fruit-products provided working capital of RMB50,000,000 to Pinghu Agricultural to meet operational requirements of the Pinghu Market. As at the acquisition date, goodwill of RMB11,155,000 was recognised with the difference between the consideration and the identifiable assets acquired less liabilities assumed. The carrying amount of interests in associates and the above receivables with an aggregate amount of RMB79,294,000 were fully impaired as at 31 December 2016.

13 INVESTMENTS IN DEBT SECURITIES

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Original maturity more than three months	—	—	4,010
Original maturity within three months *(Note 15(a))*	—	—	50,000
	—	—	54,010

The debt securities represent wealth management products issued by financial institutions in the PRC with guaranteed principal amounts plus fixed or variable returns, and are recognised in accordance with the accounting policies set out in Note 2(l).

14 TRADE AND OTHER RECEIVABLES

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables *(Note 14(a))*	452	944	504
Deposits for acquisition *(Note (ii))*	—	—	10,000
Amounts due from:			
— a related party *(Note (iii))*	4,000	2,000	150
— third parties *(Note (iv))*	1,950	26,800	10,650
Others	2,442	3,003	1,066
	8,844	32,747	22,370

Notes:

(i) All of the trade and other receivables are expected to be recovered within one year.

(ii) The balance represents deposits made as a security for acquisition of a company, engaged in seafood wholesale market business as set out in Note 1, in the PRC.

(iii) The amounts due from a related party is unsecured, non-interest bearing and has no fixed term of repayment.

(iv) The balance represents advances to third parties of RMB1,950,000, RMB26,800,000 and RMB10,650,000 as at 31 December 2015, 2016 and 2017 which are unsecured, bear fixed interest rates ranging from 5.35% to 6% per annum and are repayable within one year.

(a) Aging analysis

The aging analysis of trade receivables, based on the invoice date is as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	452	944	504

Further details on Hangzhou Fruit-products Group's credit policy are set out in Note 20(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Hangzhou Fruit-products Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (Note 2(k)).

(c) Trade receivables that are not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

15 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand comprise:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	205	1,678	402
Cash at bank	158,953	135,078	195,112
Cash at bank and on hand	159,158	136,756	195,514
Add: investments in debt securities with original maturity within three months *(Note 13)*	—	—	50,000
Cash and cash equivalents in the consolidated cash flow statements	159,158	136,756	245,514

(b) Reconciliation of liabilities arising from financing activities

	Interest-bearing borrowings *RMB'000* *(Note 17)*	Interest paid *RMB'000*	Total *RMB'000*
At 1 January 2015	40,000	—	40,000
Changes from financing cash flows:			
Proceeds from interest-bearing borrowings	31,000	—	31,000
Repayment of interest-bearing borrowings	(55,950)	—	(55,950)
Interest paid	—	(4,064)	(4,064)
Total changes from financing cash flows	(24,950)	(4,064)	(29,014)
Other change:			
Interest expenses *(Note 6(a))*	—	4,064	4,064
At 31 December 2015 and 1 January 2016	15,050	—	15,050
Changes from financing cash flows:			
Proceeds from interest-bearing borrowings	40,000	—	40,000
Repayment of interest-bearing borrowings	(15,050)	—	(15,050)
Interest paid	—	(2,345)	(2,345)
Total changes from financing cash flows	24,950	(2,345)	22,605
Other change:			
Interest expenses *(Note 6(a))*	—	2,345	2,345
At 31 December 2016 and 1 January 2017	40,000	—	40,000
Changes from financing cash flows:			
Proceeds from interest-bearing borrowings	50,000	—	50,000
Repayment of interest-bearing borrowings	(60,000)	—	(60,000)
Interest paid	—	(3,094)	(3,094)
Total changes from financing cash flows	(10,000)	(3,094)	(13,094)
Other change:			
Interest expenses *(Note 6(a))*	—	3,094	3,094
At 31 December 2017	30,000	—	30,000

16 TRADE AND OTHER PAYABLES

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables:			
— Payables to wholesalers *(Note 16(a))*	72,734	82,451	80,760
Other payable and accrued expenses			
— Payables for customers' prepaid cards *(Note (i))*	19,541	18,072	16,587
— Payables for deposits *(Note (ii))*	9,780	14,791	15,753
— Distributions payables	—	30,000	—
— Salary and welfare expenses payable	7,007	9,019	10,212
— Other taxes payable	4,002	4,405	3,179
— Others	5,677	4,524	1,456
	46,007	80,811	47,187
Financial liabilities measured at amortised cost	118,741	163,262	127,947
Receipts in advance			
— Disposal proceeds *(Note (iii))*	—	—	142,636
	118,741	163,262	270,583

All of trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Notes:

(i) Payables for customers' prepaid cards represent unutilised balances collected from customers to facilitate the payment process in the Market, which are expected to be recognised as revenue upon customers' usage of the prepaid cards to purchase fruit-products in the Market or settled by cash on customers' demand.

(ii) Deposits mainly represent deposits paid by wholesalers for the privilege to renew the operating contracts upon expiry, to sign new operating contracts and to secure the execution of the contracts.

(iii) On 30 November 2017, the Hangzhou Fruit-products entered into a disposal agreement with local government to dispose one piece of its land in the city of Hangzhou (the "Disposal"), with the book value amounted to RMB82,900,000 as at 31 December 2017 (Note 11). Pursuant to the agreement, the total disposal proceeds amounted to RMB285,086,000, among which RMB142,636,000 has been paid in advance by local government as at 31 December 2017. Up to the date of this Historical Financial Information, the above transaction has been completed.

(a) Aging analysis

At 31 December 2015, 2016 and 2017, the aging analysis of trade payables are as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Less than 1 year	72,734	82,451	80,760

17 INTEREST-BEARING BORROWINGS

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Secured bank loans	15,050	40,000	30,000

Secured bank loans as at 31 December 2015, 2016 and 2017 were secured by certain properties (Note 10) with original maturity within 12 months, bearing fixed annually interest rates for the years ended 31 December 2015, 2016 and 2017 ranging from 5.64% to 6.48%, 3.96% and 3.96% to 4.68%, respectively.

18 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	8,456	9,134	6,420
Provision for the year *(Note 7)*	9,399	8,441	11,039
(Over)/under provision in respect of prior years	(691)	(176)	331
Income tax paid	(8,030)	(10,979)	(16,386)
At 31 December	9,134	6,420	1,404

(b) Deferred tax liabilities recognised:

The deferred tax liabilities recognised in the consolidated statements of financial position and the movement during the years ended 2015, 2016 and 2017 are as follows:

	Revaluation of an investment property
	RMB'000
At 1 January 2015	13,581
Charged to profit or loss *(Note 7(a))*	809
At 31 December 2015 and 1 January 2016	14,390
Charged to profit or loss *(Note 7(a))*	1,746
At 31 December 2016 and 1 January 2017	16,136
Charged to profit or loss *(Note 7(a))*	1,931
At 31 December 2017	18,067

19 CAPITAL AND RESERVES

(a) Movements in equity of Hangzhou Fruit-products

The reconciliation between the opening and closing balances of each component of the Hangzhou Fruit-products Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in equity of the Hangzhou Fruit-products during the Track Record Periods are set out below:

	Paid-in capital	PRC statutory reserve	Other reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 19(c))	*(Note 19(d)(i))*	*(Note 19(d)(ii))*		
At 1 January 2015	30,000	12,311	(1,250)	200,192	241,253
Changes in equity for the year ended 31 December 2015:					
Profit and other comprehensive income for the year	—	—	—	25,449	25,449
Capital contributions	60,000	—	(2,600)	—	57,400
Appropriation to reserves	—	2,545	—	(2,545)	—
Distributions	—	—	—	(40,305)	(40,305)
At 31 December 2015 and 1 January 2016	90,000	14,856	(3,850)	182,791	283,797
Changes in equity for the year ended 31 December 2016:					
Loss and other comprehensive income for the year	—	—	—	(43,162)	(43,162)
Capital contributions	30,000	—	(10,400)	—	19,600
Distributions	—	—	—	(39,000)	(39,000)
At 31 December 2016 and 1 January 2017	120,000	14,856	(14,250)	100,629	221,235
Changes in equity for the year ended 31 December 2017:					
Profit and other comprehensive income for the year	—	—	—	38,265	38,265
Appropriation to reserves	—	3,827	—	(3,827)	—
Distributions	—	—	—	(29,371)	(29,371)
At 31 December 2017	120,000	18,683	(14,250)	105,696	230,129

(b) Distributions

Distributions payable to equity shareholders of Hangzhou Fruit-products attributable to the previous financial years, approved during the Track Record Periods

	Years ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Final distribution in respect of the previous financial years, approved during the year	40,305	39,000	29,371

(c) Paid-in capital

Registered and fully paid:	*RMB'000*
At 1 January 2015	30,000
Capital contributions *(Note 19(a))*	60,000
At 31 December 2015 and 1 January 2016	90,000
Capital contributions *(Note 19(a))*	30,000
At 31 December 2016, 1 January 2017 and 31 December 2017	120,000

All shareholders are entitled to receive distributions as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Hangzhou Fruit-products. All shares rank equally with regard to the Hangzhou Fruit-products Group's residual assets.

(d) Nature and purpose of reserves

(i) PRC statutory reserve

Pursuant to the Articles of Association of the PRC entities comprising the Hangzhou Fruit-products Group, appropriations to the PRC statutory reserve were made at a certain percentage of profit after tax determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of Hangzhou Fruit-products Group. Hangzhou Fruit-products Group are required to transfer 10% of their profit after tax to PRC statutory reserve in accordance with the relevant PRC regulations. The transfer could no longer be recognised when the accumulated statutory reserve fund reaches 50% of the registered capital. This PRC statutory reserve can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(ii) Other reserve

Other reserve represents the net assets of the Other Business as a result of the exclusion of the Other Businesses' operations from the Historical Financial Information (Note 1).

(e) Capital management

The Hangzhou Fruit-products Group's primary objectives when managing capital are to safeguard the its ability to continue as a going concern, so that it can fund its operation of agriculture wholesale markets, and provide returns for shareholders, by pricing commission income, rental and property management services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Hangzhou Fruit-products Group regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure its obligations and commitments are met. A proactive approach is taken to forecasting future funding requirements and, when funds are needed, market conditions are evaluated to determine the best form of finance to be secured.

The Hangzhou Fruit-products Group monitors its capital structure on the basis of a gearing ratio, being the interest-bearing borrowings divided by the total assets. During the Track Record Periods, the Hangzhou Fruit-products Group's strategy was to maintain the assets to liability ratio. The gearing ratio of the Hangzhou Fruit-products Group at 31 December 2015, 2016 and 2017 was 2.92%, 7.77% and 4.86%, respectively.

Neither the Hangzhou Fruit-products nor any of its subsidiaries are subject to externally imposed capital requirements.

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of Hangzhou Fruit-products Group. The Hangzhou Fruit-products Group's exposure to these risks and the financial risk management policies and practices used by Hangzhou Fruit-products Group to manage these risks are described below.

(a) Credit risk

The Hangzhou Fruit-products Group's credit risk is primarily attributable to trade and other receivables and investments in debt securities. Management has a credit policy in place and the exposure to these credit risk are monitored on an ongoing basis.

The Hangzhou Fruit-products Group does not provide any guarantees which would expose Hangzhou Fruit-products Group to credit risk.

Further quantitative disclosures in respect of the exposure to credit risk arising from trade and other receivables are set out in Note 14.

(b) Liquidity risk

The Hangzhou Fruit-products Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of each reporting period of The Hangzhou Fruit-products Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest pa yments computed using contractual rates) and the earliest date Hangzhou Fruit-products Group can be required to pay:

	31 December 2015		31 December 2016		31 December 2017	
	Contractual undiscounted cash flow within 1 year or on demand	**Carrying amount**	**Contractual undiscounted cash flow within 1 year or on demand**	**Carrying amount**	**Contractual undiscounted cash flow within 1 year or on demand**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities measured at amortised cost *(Note 16)*	118,741	118,741	163,262	163,262	127,947	127,947
Interest-bearing borrowings *(Note 17)*	15,226	15,050	40,980	40,000	31,059	30,000
	133,967	133,791	204,242	203,262	159,006	157,947

(c) Interest rate risk

The Hangzhou Fruit-products Group's interest rate risk arises from interest-bearing borrowings. Interest-bearing borrowings issued at fixed rates expose the Hangzhou Fruit-products Group to fair value interest rate risk.

The profile of the Hangzhou Fruit-products Group's interest-bearing borrowings at the end of each reporting period and the detailed interest rates and maturity information are disclosed in Note 17.

(d) Fair values measurement

As at 31 December 2015, 2016 and 2017, there is no financial instrument carried at fair value. The carrying amounts of the financial instruments carried at cost or amortised cost are not material different from their fair values as at 31 December 2015, 2016 and 2017.

21 COMMITMENTS

(a) Capital commitments outstanding at 31 December not provided for in the Historical Financial Information were as follows:

	At 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Contracted for	—	—	180,000

At 31 December 2017, capital commitments represent the remaining payments for the acquisition of a company in the PRC as set out in Note 14.

(b) Leases as lessor

Total future minimum lease income under non-cancellable leases are receivable as follows:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	9,799	13,496	15,867
After 1 year but within 2 years	12,168	14,165	16,384
After 2 years but within 5 years	40,126	44,636	49,886
After 5 years	59,554	44,612	38,459
	121,647	116,909	120,596

The Hangzhou Fruit-products Group leases out its properties under operating leases. The leases typically run for an initial period of 3 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

(c) Leases as lessee

Total future minimum lease payments under non-cancellable operating leases are payables as follows:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	9,332	12,853	15,111
After 1 year but within 2 years	11,589	13,490	15,604
After 2 years but within 5 years	38,215	42,510	47,510
After 5 years	56,718	42,488	36,628
	115,854	111,341	114,853

The Hangzhou Fruit-products Group leases properties for the use by its fruits market operations under operating leases. The leases typically run for an initial period of 20 years, where all terms are renegotiated upon renewal.

22 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in the Historical Financial Information, the Hangzhou Fruit-products Group entered into the following material related party transaction:

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Repayment from the Other Businesses *(Note 14)*	—	2,000	1,850

23 STATEMENTS OF FINANCIAL POSITION OF HANGZHOU FRUIT-PRODUCTS

	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property and equipment	26,585	25,784	26,207
Investment property	69,500	75,900	82,900
Interests in subsidiaries	100,000	100,000	100,000
	196,085	201,684	209,107
Current assets			
Investments in debt securities	—	—	50,000
Trade and other receivables	97,230	29,211	126,747
Cash at bank and on hand	9,829	39,714	6,185
	107,059	68,925	182,932
Current liabilities			
Interest-bearing borrowings	50	—	—
Trade and other payables	4,528	32,623	143,683
Taxation	379	615	160
	4,957	33,238	143,843
Net current assets	102,102	35,687	39,089
Total assets less current liabilities	298,187	237,371	248,196
Non-current liability			
Deferred tax liability	14,390	16,136	18,067
NET ASSETS	283,797	221,235	230,129
Capital and reserves			
Paid-in capital	90,000	120,000	120,000
Reserves	193,797	101,235	110,129
TOTAL EQUITY	283,797	221,235	230,129

24 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of Hangzhou Fruit-products consider the immediate and ultimate holding company of Hangzhou Fruit-products at 31 December 2017 to be Hangzhou Zhaorong and Beijing Baorong Investment Holding Company Limited, respectively. Neither of these companies produces financial statements available for public use.

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 24 January 2018, Hangzhou Fruit-products entered into an share sale and purchase agreement to acquire 55.91% equity interest in Hangzhou Jiaqu Investments Management Company Limited (''Hangzhou Jiaqu'') with a consideration of RMB190,000,000, among which RMB10,000,000 has been paid as deposit by Hangzhou Fruit-products (Note 14(ii)). Hangzhou Jiaqu is the immediate and ultimate holding company of Hangzhou Changhai Company Limited (''Hangzhou Changhai'') at 31 December 2017, which principally engaged in the seafood wholesale market operation in the PRC.

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET AFFECT

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Hangzhou Fruit- products Group.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 16, *Leases*	1 January 2019
Amendments to IAS 40, *Transfers of investment property*	1 January 2018

The Hangzhou Fruit-products Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations are expected to be in the period of initial application. So far the Hangzhou Fruit-products Group has identified some aspects of the new standards which may have a significant impact on the Historical Financial Information. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Hangzhou Fruit-products Group.

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, Financial instruments: Recognition and measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Hangzhou Fruit-products Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Hangzhou Fruit-products Group's consolidated financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

— The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/ losses on disposal will be recognised in profit or loss.

— For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only distribution income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Hangzhou Fruit-products Group has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Hangzhou Fruit-products Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Hangzhou Fruit-products Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. Based on a preliminary assessment, if the Hangzhou Fruit-products Group were to adopt the new impairment requirements at 31 December 2017, accumulated impairment loss at that date would not increase as compared with that recognised under IAS 39.

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Hangzhou Fruit-products Group has identified the following areas which are expected to be affected:

Timing of revenue recognition

The Hangzhou Fruit-products Group's revenue recognition policies are disclosed in Note 2(s). Currently, lease income, commission income and the provision of services is recognised over time.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Hangzhou Fruit-products Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue.

IFRS 16, Leases

As disclosed in note 2(j), currently the Hangzhou Fruit-products Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Hangzhou Fruit-products Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising lease expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the lease expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Hangzhou Fruit-products Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in Note 21(c), at 31 December 2015, 2016 and 2017 the Hangzhou Fruit-products Group's future minimum lease payments under non-cancellable operating leases amount to RMB115,854,000, RMB111,341,000 and RMB114,853,000 for properties and equipment, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Hangzhou Fruit- products Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Hangzhou Fruit-products Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Hangzhou Fruit-products Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Hangzhou Fruit-products Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative- effect adjustment to the opening balance of equity at the date of initial application, the Hangzhou Fruit-products Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Hangzhou Fruit-products Group in respect of any period subsequent to 31 December 2017.

Pursuant to the announcement dated 5 June 2018, the Company proposed to acquire the entire issued share capital of Hangzhou Target Company, the intermediate holding company of Hangzhou Fruit-products, from Vast Equity Investment Limited ("Hangzhou Vendor"), a company incorporated in the BVI and is wholly-owned by Mr. Suen, an independent third party. Details were set out in Note 1 to this Historical Financial Information.

The information set out in this Appendix does not form part of the Accountants' Report on the Target Group from KPMG, the Company's reporting accountants, as set out in "Appendix IV — Accountants' Report on the Hada Target Group", "Appendix V — Accountants' Report on the Hangzhou Target Group", and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the Accountants' Reports set out in "Appendix IV — Accountants' Report on the Hada Target Group" and "Appendix V — Accountants' Report on the Hangzhou Target Group".

A. PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Introduction

The following is the illustrative and unaudited pro forma financial information of the Enlarged Group in connection with the Hada Acquisition and Hangzhou Acquisition by the Group. Details of Hada Acquisition and Hangzhou Acquisition are set out in the section headed "LETTER OF THE BOARD" contained in this circular. The unaudited pro forma financial information presented below is prepared to illustrate (i) the consolidated financial position of the Enlarged Group as at 31 December 2017 as if the Hada Acquisition and Hangzhou Acquisition had been completed on 31 December 2017; and (ii) the consolidated statement of profit or loss, and the consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2017 as if the Hada Acquisition and Hangzhou Acquisition had been completed on 1 January 2017.

The unaudited pro forma financial information of the Enlarged Group has been prepared in accordance with Paragraph 4.29 of the Listing Rules, for the purpose of illustrating the effect of Hada Acquisition and Hangzhou Acquisition pursuant to the terms of the Hada Acquisition Agreement; and the Hangzhou Acquisition Agreement. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position or results of the Enlarged Group had Hada Acquisition and Hangzhou Acquisition been completed as of the specified dates or any future date.

The unaudited pro forma financial information of the Enlarged Group is based upon the consolidated financial information of the Group for the year ended 31 December 2017, which has been extracted from the Company's annual report for the year then ended as referred to in Appendix I contained in this Circular and adjusted on a pro forma basis to reflect the effect of Hada Acquisition and Hangzhou Acquisition. These pro forma adjustments are (i) directly attributable to Hada Acquisition and Hangzhou Acquisition and not relating to other future events and decisions and (ii) factually supportable based on the terms of the Hada Acquisition Agreement and Hangzhou Acquisition Agreement.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the historical financial information of the Group set out in the annual report of the Company for the year ended 31 December 2017 and other financial information included elsewhere in this Circular.

2. Unaudited pro forma consolidated statements of financial position of the Enlarged Group as at 31 December 2017

(Expressed in RMB'000)

	The Group	Pro forma adjustments										The Enlarged Group
		Note a	*Note b*			*Note c*	*Note d*	*Note e*	*Note f*	*Note g*	*Note h*	
Assets												
Property and equipment	681,420	20,174	544,606	905,511	306	—	—	5,340,700	22,904	—	—	7,515,621
Investment properties	—	929,634	82,900	1,620	428,575	—	—	6,238,766	2,162	—	—	7,683,657
Goodwill	386,380	—	361,620	81,287	—	—	—	91,354	210,837	—	—	1,131,478
Intangible assets	5,709,390	12,820	—	—	—	—	(97,604)	(5,600,000)	—	—	—	24,606
Available-for-sale securities	—	—	—	10,000	—	—	—	—	—	—	—	10,000
Deferred tax assets	—	874,145	—	15	—	—	—	(736,172)	—	—	—	137,988
Total non-current assets	**6,777,190**	**1,836,773**	**989,126**	**998,433**	**428,881**	**—**	**(97,604)**	**5,334,648**	**235,903**	**—**	**—**	**16,503,350**
Inventory	44,432	2,018	—	—	—	—	—	—	—	—	—	46,450
Trade and other receivables	764,656	16,547,921	22,370	23,228	2,362	(16,436,475)	(9,142)	—	—	—	—	914,920
Investment in debt securities	—	—	54,010	10,000	—	—	—	—	—	—	—	64,010
Cash at bank and on hand	1,222,118	1,825,254	202,060	42,191	7,020	(1,800,000)	—	—	(1,223,000)	(19,672)	1,724,962	1,980,933
Available-for-sale securities	—	—	—	140,000	—	—	—	—	—	—	—	140,000
Total current assets	**2,031,206**	**18,375,193**	**278,440**	**215,419**	**9,382**	**(18,236,475)**	**(9,142)**	**—**	**(1,223,000)**	**(19,672)**	**1,724,962**	**3,146,313**
Total assets	**8,808,396**	**20,211,966**	**1,267,566**	**1,213,852**	**438,263**	**(18,236,475)**	**(106,746)**	**5,334,648**	**(987,097)**	**(19,672)**	**1,724,962**	**19,649,663**

	The Group	Pro forma adjustments										The Enlarged Group
		Note a	*Note b*			*Note c*	*Note d*	*Note e*	*Note f*	*Note g*	*Note h*	
Liabilities												
Loans and borrowings	—	11,986,900	30,000	—	41,000	(11,966,900)	—	—	—	—	—	91,000
Trade and other payables	401,502	5,662,913	440,583	385,769	120,566	(5,174,156)	(9,142)	—	—	—	—	1,828,035
Current taxation	41,585	6,632	1,404	15,104	—	—	—	—	—	—	—	64,725
Total current liabilities	**443,087**	**17,656,445**	**471,987**	**400,873**	**161,566**	**(17,141,056)**	**(9,142)**	**—**	**—**	**—**	**—**	**1,983,760**
Total current assets/(liabilities)	**1,588,119**	**718,748**	**(193,547)**	**(185,454)**	**(152,184)**	**(1,095,419)**	**—**	**—**	**(1,223,000)**	**(19,672)**	**1,724,962**	**1,162,553**
Loans and borrowings	—	4,634,000	—	—	441,680	(4,554,000)	—	—	—	—	—	521,680
Convertible bonds	—	—	—	—	—	—	—	2,038,256	—	—	—	2,038,256
Deferred income	—	556,054	—	1,100	—	—	—	—	—	—	—	557,154
Deferred tax liability	1,424,400	—	88,522	208,625	46,759	—	(24,401)	758,696	6,266	—	—	2,508,867
Non-current receipt in advance	4,031	—	—	—	—	—	—	—	—	—	—	4,031
Total non-current liabilities	**1,428,431**	**5,190,054**	**88,522**	**209,725**	**488,439**	**(4,554,000)**	**(24,401)**	**2,796,952**	**6,266**	**—**	**—**	**5,629,988**
Net assets/(liabilities)	**6,936,878**	**(2,634,533)**	**707,057**	**603,254**	**(211,742)**	**3,458,581**	**(73,203)**	**2,537,696**	**(993,363)**	**(19,672)**	**1,724,962**	**12,035,915**
Equity												
Share capital	366,604	—	600,000	600,000	60,000	—	—	—	(1,260,000)	—	131,898	498,502
Reserves	6,570,274	(2,634,533)	1,851	3,254	(271,742)	3,458,581	(73,203)	2,537,696	266,637	(19,672)	1,593,064	11,432,207
Total equity attributable to the equity holders of the Company	6,936,878	(2,634,533)	601,851	603,254	(211,742)	3,458,581	(73,203)	2,537,696	(993,363)	(19,672)	1,724,962	11,930,709
Non-controlling interests	—	—	105,206	—	—	—	—	—	—	—	—	105,206
Total Equity	**6,936,878**	**(2,634,533)**	**707,057**	**603,254**	**(211,742)**	**3,458,581**	**(73,203)**	**2,537,696**	**(993,363)**	**(19,672)**	**1,724,962**	**12,035,915**

3. Unaudited pro forma consolidated statement of profit or loss of the Enlarged Group for the year ended 31 December 2017

(Expressed in RMB'000)

	The Group	Pro forma adjustments									The Enlarged Group
		Note a	*Note b*			*Note c*	*Note d(1)*	*Note d(2)*	*Note e*	*Note g*	
Revenue	988,112	99,523	163,212	127,792	50,678	—	—	(95,238)	—	—	1,334,079
Cost of sales	—	(3,774)	(3,636)	—	—	—	—	—	—	—	(7,410)
Gross profit	988,112	95,749	159,576	127,792	50,678	—	—	(95,238)	—	—	1,326,669
Net valuation (loss)/gain on investment property	—	(28,305)	7,000	(130)	(6,356)	—	—	—	28,305	—	514
Other income/(expense)	93,495	(2,591)	3,617	5,343	818	—	—	—	—	—	100,682
Other operating expenses	(604,265)	(1,294)	(95,898)	(18,781)	(10,817)	—	—	419,571	(129,240)	—	(440,724)
Administrative expenses	(536,524)	(49,764)	(24,763)	(41,381)	(18,196)	—	—	—	—	(19,672)	(690,300)
Valuation loss on intangible assets	—	—	—	—	—	—	(97,604)	—	—	—	(97,604)
(Loss)/profit from operations	(59,182)	13,795	49,532	72,843	16,127	—	(97,604)	324,333	(100,935)	(19,672)	199,237
Finance income	28,490	1,183,981	5,870	11,475	90	(1,078,829)	—	—	—	—	151,077
Finance expenses	(2,394)	(1,221,717)	(3,989)	(78)	(32,645)	1,130,282	—	—	(208,614)	—	(339,155)
Net finance income/(expenses)	26,096	(37,736)	1,881	11,397	(32,555)	51,453	—	—	(208,614)	—	(188,078)
(Loss)/profit before income tax	(33,086)	(23,941)	51,413	84,240	(16,428)	51,453	(97,604)	324,333	(309,549)	(19,672)	11,159
Income tax	(93,964)	(29,694)	(13,301)	(21,166)	(430)	—	24,401	—	25,234	—	(108,920)
(Loss)/profit for the year	(127,050)	(53,635)	38,112	63,074	(16,858)	51,453	(73,203)	324,333	(284,315)	(19,672)	(97,761)
Attributable to:											
Equity shareholders of the Company	(127,050)	(53,635)	38,112	63,074	(16,858)	51,453	(73,203)	324,333	(284,315)	(19,672)	(97,761)
Non-controlling interests	—	—	—	—	—	—	—	—	—	—	—
(Loss)/profit for the year	(127,050)	(53,635)	38,112	63,074	(16,858)	51,453	(73,203)	324,333	(284,315)	(19,672)	(97,761)

4. Unaudited pro forma consolidated cash flow statement of the Enlarged Group for the year ended 31 December 2017

(Expressed in RMB'000)

	The Group	Pro forma adjustments										The Enlarged Group
		Note a	*Note b*			*Note c*	*Note d*	*Note e*	*Note f*	*Note g*	*Note h*	
Operating activities												
(Loss)/profit for the year	(127,050)	(53,635)	38,112	63,074	(16,858)	51,453	251,130	(284,315)	—	(19,672)	—	(97,761)
Adjustments for:												
Depreciation	46,752	5,992	11,093	6,418	473	—	—	129,240	—	—	—	199,968
Amortisation	324,333	4,099	—	—	—	—	(324,333)	—	—	—	—	4,099
Net finance (income)/expenses	(26,652)	37,698	(2,776)	(11,475)	32,525	—	—	208,614	—	—	—	237,934
Net loss on disposal of property and equipment and investment properties	3,501	12,426	84	3	306	—	—	—	—	—	—	16,320
Net valuation losses/(gain) on investment properties	—	28,305	(7,000)	130	6,356	—	—	(28,305)	—	—	—	(514)
Valuation loss on intangible assets	—	—	—	—	—	—	97,604	—	—	—	—	97,604
Net loss on disposal of subsidiaries	21,629	—	—	—	—	—	—	—	—	—	—	21,629
Impairment losses	—	—	—	—	12,981	—	—	—	—	—	—	12,981
Government grants	—	(4,654)	—	(600)	—	—	—	—	—	—	—	(5,254)
Income tax	93,964	29,694	13,301	21,166	430	—	(24,401)	(25,234)	—	—	—	108,920
Operating profit before changes in working capital	336,477	59,925	52,814	78,716	36,213	51,453	—	—	—	(19,672)	—	595,926
Decrease in inventories	2,172	945	—	—	—	—	—	—	—	—	—	3,117
(Increase)/decrease in trade receivables and other assets	(19,673)	(2,820)	2,377	(99)	(12,355)	—	—	—	—	—	—	(32,570)
Increase/(decrease) in trade and other payables	1,875	9,910	(5,315)	1,865	1,673	—	—	—	—	—	—	10,008
Cash generated from operating activities	320,851	67,960	49,876	80,482	25,531	51,453	—	—	—	(19,672)	—	576,481
Income tax paid	(183,725)	(1,658)	(16,386)	(22,128)	—	—	—	—	—	—	—	(223,897)
Net cash generated from operating activities	137,126	66,302	33,490	58,354	25,531	51,453	—	—	—	(19,672)	—	352,584

	The Group	Pro forma adjustments										The Enlarged Group
		Note a		*Note b*		*Note c*	*Note d*	*Note e*	*Note f*	*Note g*	*Note h*	
Investing activities												
Proceeds from disposal of a subsidiary, net of cash disposed of	2,512	—	—	—	—	—	—	—	—	—	—	2,512
Net proceeds from disposal of property and equipment and investment properties	2,174	15,603	103	8,171	770	—	—	—	—	—	—	26,821
Proceeds from compensation for expropriation of land removal	—	—	142,636	—	—	—	—	—	—	—	—	142,636
Purchase of property and equipment	(80,689)	(26,627)	(4,866)	(4,624)	(204)	—	—	—	—	—	—	(117,010)
Interest received	26,016	1,146,017	5,870	11,475	4,480	(1,078,829)	—	—	—	—	—	115,029
Net decrease/(increase) in amounts due from related parties	—	4,663,060	—	(23,000)	—	(4,663,060)	—	—	—	—	—	(23,000)
Repayment from a related party	—	—	1,850	—	—	—	—	—	—	—	—	1,850
Net decrease in amounts due from third parties	—	43,878	16,150	—	23,091	—	—	—	—	—	—	83,119
Payment for purchase of loans to third parties	(835,910)	—	—	—	—	—	—	—	—	—	—	(835,910)
Proceeds from repayment of loans to third parties	150,464	—	—	50,000	—	—	—	—	—	—	—	200,464
Payment for acquisition of Hangzhou Acquisition, net of cash acquired	—	—	—	—	—	—	—	—	(1,003,132)	—	—	(1,003,132)
Payment for deposits for acquisition	—	—	(10,000)	—	—	—	—	—	—	—	—	(10,000)
Proceeds from repayment of deposit for acquisition of a project	400,000	—	—	—	—	—	—	—	—	—	—	400,000
Payments for purchase of investments in debt securities	—	—	(4,010)	(10,000)	—	—	—	—	—	—	—	(14,010)
Proceeds from redemption of investments in debt securities	—	—	—	30,000	—	—	—	—	—	—	—	30,000
Payments for purchase of available-for-sale financial assets	—	—	—	(729,421)	—	—	—	—	—	—	—	(729,421)
Proceeds from redemption of available-for-sale financial assets	—	—	—	728,121	—	—	—	—	—	—	—	728,121
Increase in time deposits	(75,000)	(1,400,000)	—	—	—	1,400,000	—	—	—	—	—	(75,000)
Net cash (used in)/generated from investing activities	(410,433)	4,441,931	147,733	60,722	28,137	(4,341,889)	—	—	(1,003,132)	—	—	(1,076,931)

	The Group	Pro forma adjustments										The Enlarged Group
		Note a	*Note b*			*Note c*	*Note d*	*Note e*	*Note f*	*Note g*	*Note h*	
Financing activities												
Proceeds from interest-bearing borrowings	—	7,464,900	50,000	—	85,000	(7,464,900)	—	—	—	—	—	135,000
Proceeds from Rights Issue	—	—	—	—	—	—	—	—	—	—	1,724,962	1,724,962
Repayment of interest-bearing borrowings	—	(7,002,745)	(60,000)	—	(159,100)	7,002,745	—	—	—	—	—	(219,100)
Advances from a director	1,445,026	—	—	—	—	—	—	—	—	—	—	1,445,026
Repayment to related parties	(1,487,800)	—	—	—	—	—	—	—	—	—	—	(1,487,800)
Net (decrease)/increase in amounts due to related parties	—	(3,757,204)	—	—	1,250	3,757,204	—	—	—	—	—	1,250
Net decrease in amounts due to third parties	—	—	—	—	(16,543)	—	—	—	—	—	—	(16,543)
Decrease in restricted cash at bank	—	—	—	—	60,000	—	—	—	—	—	—	60,000
Distributions paid	—	—	(59,371)	(111,806)	—	—	—	—	—	—	—	(171,177)
Interest paid	—	(1,221,679)	(3,094)	—	(32,615)	1,130,282	—	—	—	—	—	(127,106)
Net cash (used in)/generated from financing activities	**(42,774)**	**(4,516,728)**	**(72,465)**	**(111,806)**	**(62,008)**	**4,425,331**	**—**	**—**	**—**	**—**	**1,724,962**	**1,344,512**
Net (decrease)/increase in cash and cash equivalents	**(316,081)**	**(8,495)**	**108,758**	**7,270**	**(8,340)**	**134,895**	**—**	**—**	**(1,003,132)**	**(19,672)**	**1,724,962**	**620,165**
Cash and cash equivalents at 1 January	1,414,956	33,749	136,756	34,003	15,360	—	—	(33,749)	(186,119)	—	—	1,414,956
Effect of foreign exchange rate changes	(1,757)	—	—	—	—	—	—	—	—	—	—	(1,757)
Cash and cash equivalents at 31 December	1,097,118	25,254	245,514	41,273	7,020	134,895	—	(33,749)	(1,189,251)	(19,672)	1,724,962	2,033,364

5. Notes to the unaudited pro forma financial information of the Enlarged Group

a. The adjustment represents the combined financial information of Hada Target Group as at and for the year ended 31 December 2017 as derived from the accountants' report set out in Appendix IV to this circular.

b. The adjustment represents the financial information of Hangzhou Target Group as at and for the year ended 31 December 2017.

In order to illustrate the effect of Hangzhou Acquisition, the financial information of consolidated financial position was derived from the accountants' report of Hangzhou Zhaorong Agri-products Company Limited (the "**Hangzhou Zhaorong**"), Hangzhou Honghui Agri-products Company Limited (the "**Hangzhou Honghui**") and Hangzhou Changhai Company Limited (the "**Hangzhou Changhai**") as set out in Part I, Part II and Part III of Appendices V to this circular. Meanwhile, the financial information of the consolidated statement of profit or loss and the consolidated cash flow statement was derived from the accountants' report of Hangzhou Fruit-products Group Company Limited (the "**Hangzhou Fruit-products**"), Hangzhou Vegetables Company Limited (the "**Hangzhou Vegetable**") and Hangzhou Changhai as set out in Part V, Part IV and Part III of Appendices V to this circular in order to contain a full year financial information of the consolidated statement of profit or loss and the consolidated cash flow statement of fruit, vegetables and seafood wholesale markets businesses in Hangzhou.

c. The adjustment represents the settlement or loan capitalization of trade and other receivables due from and trade and other payables due to New Amuse and its associates and loans and borrowings of the Hada Target Group subsisting before the Hada Completion, which is a condition precedent under the terms of Hada Acquisition Agreement as set out in LETTER FROM THE BOARD contained in this circular. Accordingly, the related interest income and interest expenses are reversed when preparing the unaudited pro forma consolidated statement of profit or loss and consolidated statement of cash flow for the year ended 31 December 2017 of the Enlarged Group.

d. In connection with the 2015 Transaction occurred in July 2015, the Group entered into 20 years lease agreements with entities of Hada Target Group which owned the agriculture wholesale markets in PRC. According to the lease agreements, the annual rent would be RMB100,000,000 (net of VAT, RMB95,238,000) which is favourable to the Group as compared with the fair market rent (the "**Favorable Term Lease Agreements**"). In accordance with the Group's accounting policies, upon the completion of the 2015 Transaction the Group recognised the Favourable Term Lease Agreements as an intangible asset at its fair value amounting to RMB6,486,667,000 which is subsequently amortised on a straight-line basis over the contractual life of the Favorable

Term Lease Agreement. The amortisation charge of each year is RMB324,333,000 which has included in other operating expenses in the consolidated statement of profit or loss of the Group.

As a result from the Hada Acquisition, the Favorable Term Lease Agreements will no longer be required and will be eliminated upon the completion of the Hada Acquisition.

(1) The adjustment represents impacts of the extinguishment of the pre-existing relationship between the Group and the Hada Target Group in accordance with the accounting policies of the Group related to the lease arrangements under the Favorable Term Lease Agreements. Upon the completion of the Hada Acquisition, the difference between fair value and the carrying amount of the intangible asset as at the completion date will be recognized as a gain or loss. For the purpose of the unaudited pro forma financial information, the Directors assume the fair value of the intangible asset to be RMB5,600,000,000, being the fair value of the tangible asset valued by BMI Appraisal and Advisory Limited ("**BMI**"). The shortfall of RMB97,604,000 under the carrying amount of the intangible asset as at 31 December 2017 of RMB5,697,604,000 will be recognized as a loss in the consolidated statement of profit or loss of the Group. Deferred tax of RMB24,401,000 will be recognized accordingly. The adjustment is not expected to have a continuing effect.

(2) The adjustment represents the elimination of lease income and operating lease charges of RMB95,238,000 (excluding VAT of RMB4,762,000) recognised by Hada Target Group and the Group, respectively, as all leases under the Favorable Term Lease Agreements will be eliminated upon the completion of Hada Acquisition. In addition, the amortisation charge of RMB324,333,000 for the intangible asset as discussed above was also reversed. The adjustment is expected to have a continuing effect.

e. The identifiable assets and liabilities of the Hada Target Group to be acquired by the Group will be accounted for in the consolidated financial statements of the Group at fair value under the acquisition accounting in accordance with International Financial Reporting Standard ("**IFRS**") 3, Business Combinations.

For the purposes of the unaudited pro forma financial information, the allocation of the purchase price is determined based on the Directors' estimates of the fair value of the identifiable assets and liabilities to be acquired. In the opinion of the Directors, the fair value of the identifiable assets and liabilities being acquired is subject to changes upon completion of the Hada Acquisition because the fair value of the assets and liabilities being acquired shall be assessed at the acquisition date of Hada Target Group.

Pro forma adjustments made represent:

	Notes	*RMB'000*
Consideration:		
Fair value of the Convertible Bond issued	*(1)*	5,400,000
Settlement of pre-existing relationship, net of tax 1,400,000,000		4,200,000
		9,600,000
Less net assets acquired:		
Net liabilities value of Hada Target Group as at 31 December 2017		(2,634,533)
Settlement or loan capitalization of trade and other receivables, trade and other payables and loans and borrowings		3,458,581
Fair value adjustments on investment properties	*(2)*	6,238,766
Fair value adjustments on property and equipment	*(3)*	5,340,700
Effect of deferred tax		(2,894,868)
Identifiable assets acquired and liabilities assumed		9,508,646
Goodwill arising from the Hada Acquisition	*i*	91,354

(1) The consideration payable by the Company to New Amuse pursuant to the Hada Acquisition Agreement is RMB5.4 billion, which shall be satisfied by the issuance of Convertible Bonds of the Company. Detailed terms of Convertible Bond were described in the paragraph headed "Principal Terms of The Convertible Bond" in this Circular.

According to the Group's accounting policies, the Convertible Bond comprised the following components for accounting purpose: (1) liability component and (2) equity component in relation to the holder's conversion option.

The fair value of the liability component amounting to RMB2,038,256,000 is estimated by computing the present value of all future cash flows discounted by the prevailing market rate of interest of a similar instrument. The equity component amounting to RMB3,361,744,000 is initially recognised at the difference between the fair value of the Convertible Bond as a whole and the fair value of the liability component. For the purpose of the unaudited pro forma financial information, the effective interest rate used is 10.234% per annum at 29 June 2018, being the deemed date of issue of Convertible Bond.

Fair values of the liability component, holder's conversion option shall be assessed on the actual issue date of Convertible Bond and are therefore subject to change upon completion of the Hada Acquisition.

In addition, assuming the Convertible Bond were issued on 1 January 2017, finance expenses of RMB208,614,000 would be recognised and is adjusted in the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2017 of the Enlarged Group. The adjustment is expected to have a continuing effect.

(2) The total fair value of land and properties of the Markets upon completion of the Hada Acquisition and termination of Favorable Term Lease Agreements would be RMB12,509,100,000, which have been determined by the Directors with reference to the valuation report issued by BMI. Investment properties represents the properties owned by Hada Target Group located in the PRC to earn lease income.

(3) Certain investment properties of Hada Target Group will be managed and operated by the Group through own occupation rather than held for rental income and capital gain upon the completion of Hada Acquisition. These properties would be classified as property and equipment. The fair value of these property and equipment of RMB5,340,700,000 is determined by Directors with reference to the valuation report issued by BMI. In addition, annual depreciation expense of RMB129,240,000 was recognised and valuation loss on investment properties of Hada Target Group was reversed when preparing the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2017 of the Enlarged Group. The adjustment for the annual depreciation expense is expected to have a continuing effect. The adjustment for valuation loss is not expected to have a continuing effect.

f. The identifiable assets and liabilities of the Hangzhou Target Group to be acquired by the Group will be accounted for in the consolidated financial statements of the Group at fair value under the acquisition accounting in accordance with IFRS 3, Business Combinations.

For the purposes of the unaudited pro forma financial information, the allocation of the purchase price is determined based on the Directors' estimates of the fair value of the identifiable assets and liabilities to be acquired. In the opinion of the Directors, the fair value of the identifiable assets and liabilities being acquired is subject to changes upon completion of the Hangzhou Acquisition because the fair value of the assets and liabilities being acquired shall be assessed at the acquisition date of Hangzhou Target Group.

Pro forma adjustments made represent:

	Notes	*RMB'000*
Consideration:		
Cash consideration	*(1)*	1,223,000
Less net assets acquired:		
Net assets value of Hangzhou Target Group as at 31 December 2017		1,098,569
Fair value adjustments on investment properties	*(2)*	2,162
Fair value adjustments on property and equipment	*(2)*	22,904
Effect of deferred tax		(6,266)
		1,117,369
Goodwill of Hangzhou Target Group		(442,907)
Non-controlling interests in Hangzhou Zhaorong		(105,206)
Identifiable assets acquired and liabilities assumed		569,256
Goodwill arising from the Hangzhou Acquisition	*i*	653,744

(1) The consideration payable by the Company to the Hangzhou Vendor pursuant to the Hangzhou Acquisition Agreement is RMB1.223 billion, which shall be satisfied by cash.

(2) The investment properties and property and equipment represents the fair value of properties owned by Hangzhou Target Group located in the PRC which have been determined by reference to the valuation report issued by BMI.

g. The adjustment represents payment for estimated acquisition-related costs (including fees to legal advisers, financial adviser, reporting accountants, valuer, printer and other expenses) of approximately RMB19,672,000, which will be expensed as incurred in the consolidated statement of profit or loss in accordance with IFRS 3. The adjustments for the estimated acquisition-related costs are not expected to have a continuing effect.

h. The adjustment represents the effect of the proposed rights issue, which is a condition precedent under the terms of Hangzhou Acquisition Agreement as set out in LETTER FROM THE BOARD contained in this circular.

The Group proposed a rights issue of one rights share for every three existing shares held by the Qualifying Shareholders on 20 June 2018.

The number of Rights Shares of 13,189,830,130 is arrived at based on 43,966,100,439 shares in issue as at 20 June 2018. The estimated net proceeds from the rights issue of approximately HK$2,109,942,000 (equivalent to RMB1,724,962,000) are based on the gross proceeds of approximately HK$2,149,942,000 (equivalent to RMB1,757,664,000) from the issue of 13,189,830,130 rights shares at the subscription price of HK$0.163 per rights share after deduction of the estimated related expenses of approximately HK$40,000,000 (equivalent to RMB32,702,000). The Directors assume that the exchange rate of HKD against RMB was HKD1 to RMB0.81754, which is the exchange rate of the People's Bank of China on 31 May 2018.

i. According to the Group's accounting policy, after initial recognition, goodwill will be measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at least annually or whenever events or changes in circumstances indicate its carrying amount may not be recoverable in accordance with the requirements of International Accounting Standards 36 "Impairment of Assets" ("**IAS 36**"). For the purpose of impairment testing, goodwill will be allocated to the cash generating units ("**CGUs**") that are expected to benefit from the synergies of the acquisition of the Hada Target Group and Hangzhou Target Group.

For the purpose of the unaudited pro forma financial information, the Company has ensured the steps taken on the assessment of impairment performed in accordance with IAS 36, which is consistent with the accounting policy of the Company.

Based on internal assessment and with reference to the valuer report, the Directors of the Company do not consider that there was any indication that the goodwill may be impaired, and the Directors of the Company confirm that the Company will adopt consistent accounting policies, valuation method and principal assumptions as used in the pro forma financial information to assess the impairment of the Enlarged Group's goodwill the future financial periods ends.

j. No adjustment has been made to the pro forma financial information to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2017.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF RENHE COMMERCIAL HOLDINGS COMPANY LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Renhe Commercial Holdings Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2017 and the unaudited pro forma consolidated income statement and pro forma consolidated cash flow statement for the year ended 31 December 2017 and related notes as set out in Part A of Appendix VI to the circular dated 29 June 2018 (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix VI to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisitions of the entire issued share capital of United Progress Group Limited and Wise Path Holdings Limited (the "**Acquisitions**") on the Group's financial position as at 31 December 2017 and the Group's financial performance and cash flows for the year ended 31 December 2017 as if the Acquisitions had taken place at 31 December 2017 and 1 January 2017, respectively. As part of this process, information about the Group's financial position as at 31 December 2017 and the Group's financial performance and cash flows for the year ended 31 December 2017 has been extracted by the Directors from the consolidated financial statements of the Company for the year then ended, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 December 2017 or 1 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants

Hong Kong
29 June 2018

The following is the text of a report prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 28 February 2018 of the market values of the 100% equity interests in Hada Group and Hangzhou Target Group.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6–8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6–8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

29 June 2018

The Directors
Renhe Commercial Holdings Company Limited
Suites 1701–1703
One IFC
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

Re: Valuations of 100% equity interest in Hada Group and Hangzhou Target Group

1. INSTRUCTIONS

We refer to the instructions from Renhe Commercial Holdings Company Limited (referred to as the ''Company'') for us to provide our independent opinion on the market values of 100% equity interests in the PRC Operating Companies and the Hada Target Group (collectively referred to as ''Hada Group'') and Hangzhou Target Group (referred to as ''Hangzhou Target Group'').

2. DATE OF VALUATION

The date of valuation is 28 February 2018.

3. BASIS OF VALUATION

Our valuations have been carried out on the basis of market value. Market value is defined as ''the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion''.

4. BACKGROUND OF THE COMPANY, HADA GROUP AND HANGZHOU TARGET GROUP

Background of the Company

The Company is a publicly listed company with limited liability. It was incorporated in Cayman Islands and has been listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1387) since 2008. The Company, through its subsidiaries, is principally engaged in the operation of agricultural produce markets in China.

Background of Hada Group

Hada Group comprises two groups of entities namely the PRC Operating Companies and the Hada Target Group. The PRC Operating Companies are principally engaged in the operation of agricultural produce markets across The People's Republic of China (referred to as the "PRC"). The Hada Target Group holds the land and properties in which the markets operated by the PRC Operating Companies are located. The Company acquired 100% equity interest in the PRC Operating Companies in 2015.

In 2018, the Company and Yield Smart entered into an agreement with New Amuse to acquire the 100% equity interest in the Hada Target Company on the condition, amongst others, that all amount due to or from related companies, borrowings of the Hada Target Group (except the government grant loan of RMB100,000,000) and the cash related to the bank loans (amount of approximately RMB1,800,000,000) (together referred to as "Pre-Settlement Items") are settled before the completion of the acquisition. Based on this term of the agreement and the discussion with the senior management of the Company, the related items on the balance sheet of the Hada Target Group were excluded from the scope of our valuation.

Background of Hangzhou Target Group

The Hangzhou Target Group comprises Hangzhou Zhaorong, Hangzhou Honghui and their subsidiaries. The Hangzhou Target Group holds and controls:

(i) through Hangzhou Zhaorong, 80% effective equity interest in Hangzhou Fruit-products and 16% effective equity interest in Hangzhou Changhai. Hangzhou Fruit-products operates a fruit market and Hangzhou Changhai operates a seafood market in Hangzhou, the PRC.

(ii) through Hangzhou Honghui, 100% effective equity interest in Hangzhou Vegetable and 78.63% effective equity interest in Hangzhou Changhai. Hangzhou Vegetable operates a vegetable market and Hangzhou Changhai operates a seafood market in Hangzhou, the PRC.

The effective equity interests of Hangzhou Target Group in Hangzhou Fruit-products, Hangzhou Vegetable and Hangzhou Changhai are 80%, 100% and 94.63% respectively.

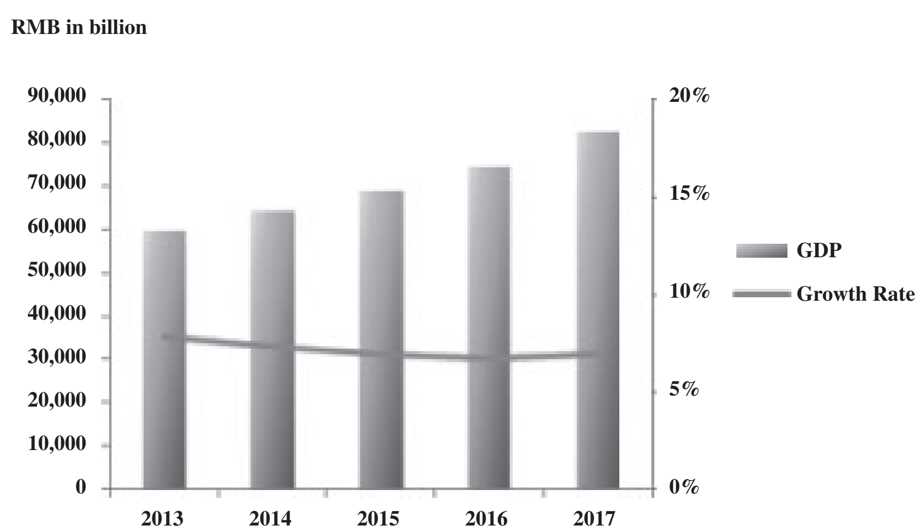
Unless otherwise defined, capitalized terms used herein shall have the same meaning as those defined in this circular.

5. INDUSTRY OVERVIEW

The PRC Economy

The national economy of the PRC maintained stable growth in 2017. The gross domestic product (GDP) of the year was RMB82,712.2 billion, up by 6.9% over the previous year. Of this total, the value added of the primary industry was RMB6,546.8 billion, up by 3.9%, that of the secondary industry was RMB33,462.3 billion, up by 6.1% and that of the tertiary industry was RMB42,703.2 billion, up by 8.0%. The value added of the primary industry accounted for 7.9% of the GDP, that of the secondary industry accounted for 40.5%, and that of the tertiary industry accounted for 51.6%.

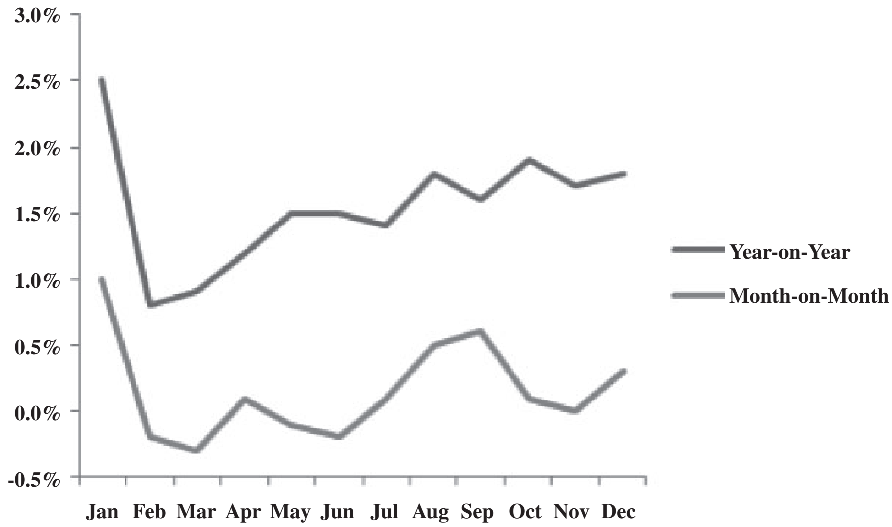
Figure 1: Gross Domestic Product, 2013–2017



Source: National Bureau Statistics of China

The consumer prices increased slightly. The consumer prices in 2017 went up by 1.6% over the previous year. Of this total, the prices for food tobacco and liquor dropped by 0.4%. The prices for investment in fixed assets increased by 5.8%. The producer prices and the purchasing prices for manufactured goods went up by 6.3% and 8.1% respectively. The producer prices for farm products decreased by 3.5%.

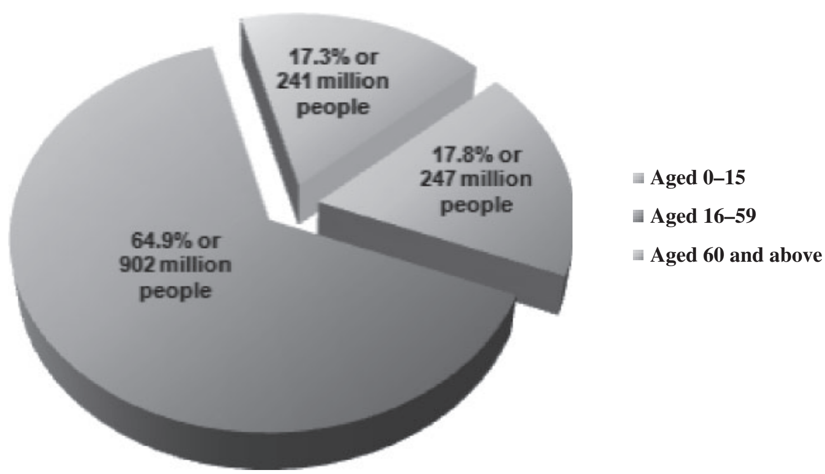
Figure 2: Monthly Changes in Consumer Prices, 2017



Source: National Bureau Statistics of China

By the end of 2017, the total number of the PRC's population of the mainland reached 1,390.1 million, an increase of 7.4 million from the end of 2016. The number of urban permanent residents has increased by 1.17% to 813.5 million, accounting for 58.5% of the total population. In 2017, 17.2 million of births have recorded with a crude birth rate of 12.4 per thousand, and 9.9 million of deaths with a crude death rate of 7.1 per thousand. The natural growth rate was 5.3 per thousand. The number of population who lived in places other than their household registration area reached 291 million, of which 244 million were floating population.

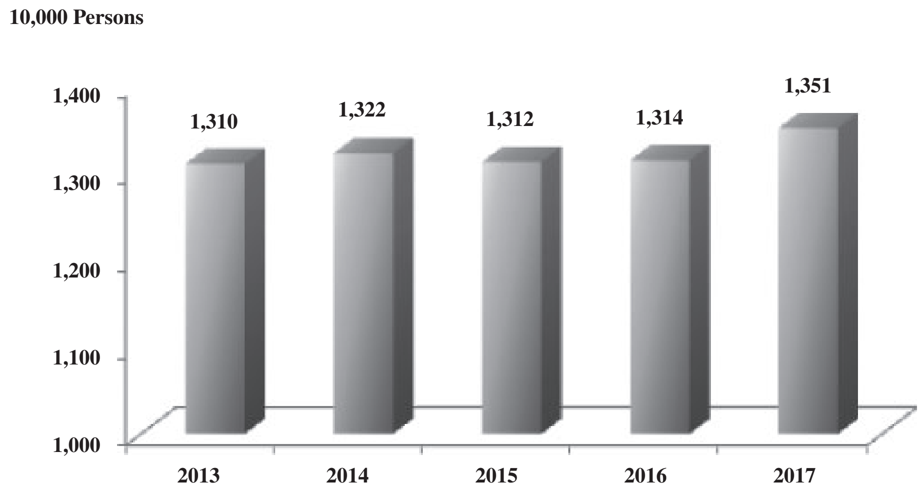
Figure 3: Population Age Composition, 2017



Source: National Bureau Statistics of China

At the end of 2017, the number of employed people in the PRC was 776.4 million, and that in urban areas was 424.6 million. The number of newly increased employed persons in urban areas was 13.5 million. The registered urban unemployment rate was 3.9% at the end of the year. The total number of migrant workers in 2017 was 286.5 million, an increase of 1.7% from 2016. Of which, the migrant workers who left hometown and worked in other places were 171.9 million, increased by 1.5%, and those who worked in their own localities reached 114.7 million or raised by 2.0%.

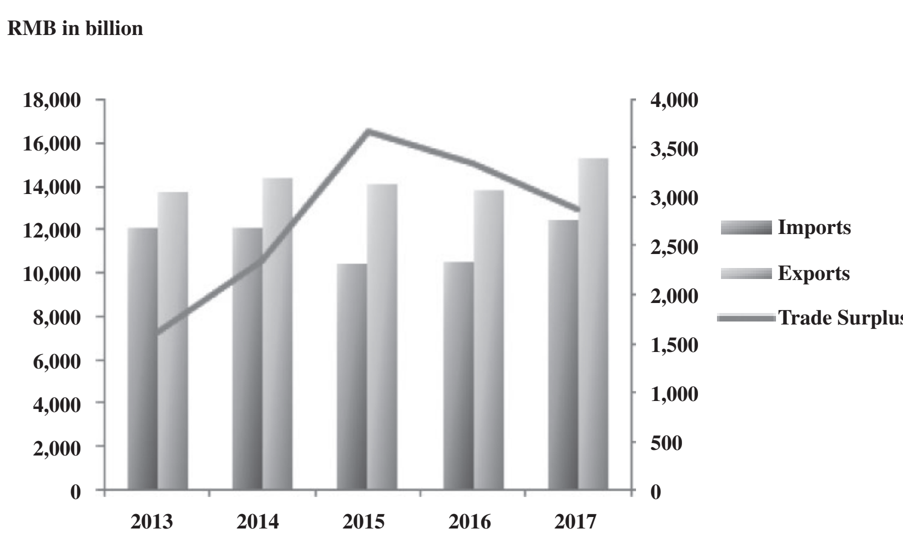
Figure 4: Newly Increased Employed Persons in Urban Areas, 2013–2017



Source: National Bureau Statistics of China

The total value of imports and exports of goods in 2017 reached RMB27,792.3 billion, increased by 14.2% of the previous year. The value of goods exported was RMB15,332.1 billion or went up by 10.8% and the value of goods imported was RMB12,460.2 billion or up by 18.7%. The net exports (exports minus imports) was RMB2,871.8 billion, a drop of RMB473.4 billion over the previous year.

Figure 5: Imports and Exports of Goods, 2013–2017



Source: National Bureau Statistics of China

Agricultural Produce Market in the PRC

Although the growth of the PRC's economy slowed down in recent years from over 8% per year to around 6.5% per year, the agricultural produce market kept stable growth as a result of the country's expanding consumption policy and the increasing household income.

Since the PRC started the Reforming and Opening-up policy, the high-speed marketization on the agricultural filed of its economy has been encouraged and supported by the government in the past four decades. The farmers have been allowed to lease the land from the country and sell their products to the market freely under Deng Xiaoping's new economic policy instead of being forced to sell to the state-owned enterprise before 80's.

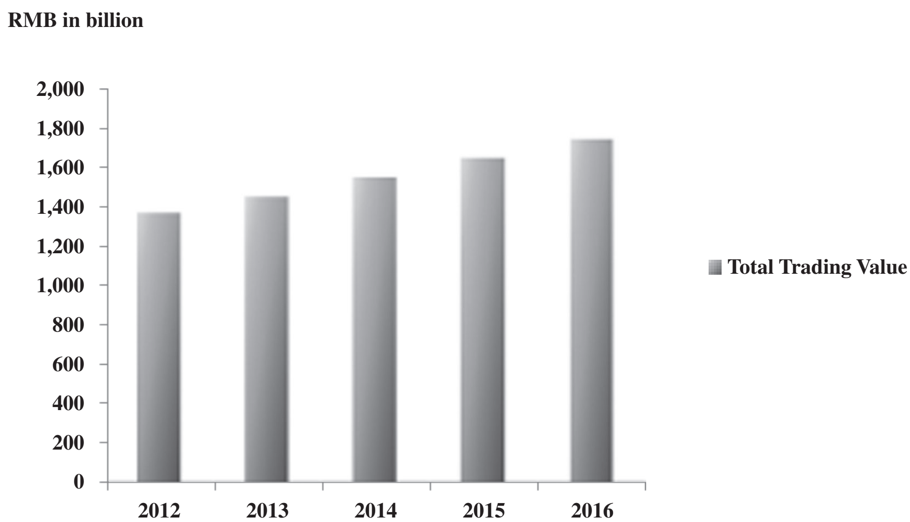
The effect of the new economic policy on the agricultural field was tremendous. After 1978, the first year of the Reforming and Opening-up policy, the annual production of major agricultural produces kept, during the past 40 years, steady and robust growth.

On the other hand, the rapid development in the manufacturing industry and cities in the PRC has encouraged the former farmers to leave the countries and became the immigrant workers. The immigrant workers phenomenon left the great workforce gap in countries and agriculture. At the same time, the increasing household income and the demand of food consumption in the general population simulated the prosperity in the agricultural produce market.

The declining percentage of the agriculture produce in the PRC's economy and increasing demand on the agricultural produce have unexpectedly transformed the PRC from a global agricultural produce exporter to a global agricultural produce importer. According to the statistics from Chinese Ministry of Agriculture, the value of the PRC's cross border trading of agricultural produce, from January to November 2017, reached US$181.9 billion of which import amounted to US$114.2 billion, meaning US$46.7 billion deficit.

Compared to the stagnation in agriculture production, the trading and distribution of agricultural produce kept growing stably in recent years. According to the statistics from the National Bureau Statistics of China, the total trading value of the agricultural produce market increased from RMB1,371.4 billion in 2012 to RMB1,746.7 billion in 2016, at a 5-year compounded growth rate of 4.96%.

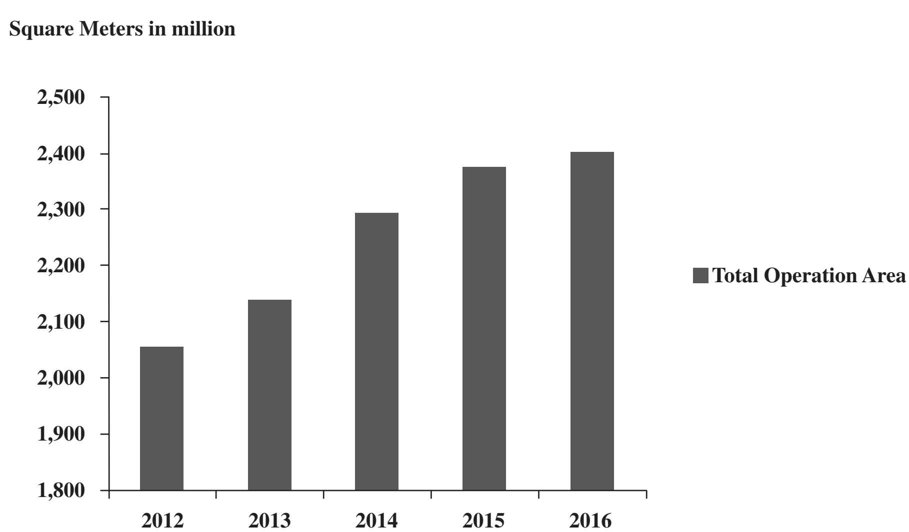
Figure 6: Total Trading Value of Agricultural Produce Market, 2012–2016



Source: National Bureau Statistics of China

Promoted by the growth in the trading value of the agricultural produce market, the total operation area of the agricultural produce market increased from 20.56 million square meters in 2012 to 24.03 million square meters in 2016, at 5-year compounded growth rate of 3.17%.

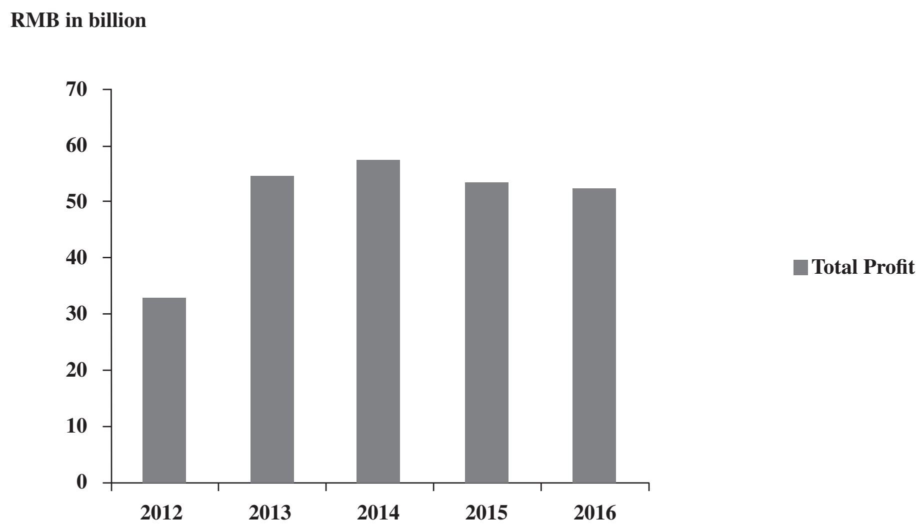
Figure 7: Total Operation Area of Agricultural Produce Market, 2012–2016



Source: National Bureau Statistics of China

In the meanwhile, the total profit of the wholesale agricultural produce market increased at a compounded growth rate of almost 10% in the past 5 years from RMB32.82 billion in 2012 to RMB 52.21 billion in 2016.

Figure 8: Total Profit of Wholesale Agricultural Produce Market, 2012–2016



Source: National Bureau Statistics of China

6. SOURCE OF INFORMATION

For the purpose of our valuations, we have been furnished with the financial and operational information in respect of Hada Group and Hangzhou Target Group provided by the senior management of the Company.

We have no reason to doubt the truth and accuracy of the information provided to us, and we have been confirmed by the senior management of the Company that no material facts have been omitted from the information provided to us.

Apart from the information provided by the senior management of the Company, we have also obtained market data, industrial information and statistical figures from publicly available sources.

7. SCOPE OF WORKS

The following processes have been conducted by us during the course of our valuations:

- Obtained relevant financial and operational information in respect of Hada Group and Hangzhou Target Group from the senior management of the Company;
- Examined the basis and assumptions of the financial and operational information in respect of Hada Group and Hangzhou Target Group provided by the senior management of the Company;
- Conducted research to obtain sufficient market data, industry information and statistical figures from Hada Group and Hangzhou Target Group and other publicly available sources; and

- Prepared the valuations and this report in accordance with generally accepted valuation procedures and practices of international valuation standards.

8. VALUATION ASSUMPTIONS

Due to the changing economic and market conditions, a number of assumptions have to be adopted in our valuations. The major assumptions adopted in our valuations are as follows:

General Market Assumptions

- There will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where Hada Group and Hangzhou Target Group are currently or will be situated;
- There will be no material change in the taxation laws and regulations in the jurisdiction where Hada Group and Hangzhou Target Group are currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;
- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- The supply and demand, both domestically and internationally, of the products and/or services of Hada Group and Hangzhou Target Group or similar products and/or services will not differ materially from those of present or expected;
- The market prices and the relevant costs, both domestically and internationally, of the products and/or services of Hada Group and Hangzhou Target Group or similar products and/or services will not differ materially from those of present or expected;
- The products and/or services of Hada Group and Hangzhou Target Group or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of Hada Group and Hangzhou Target Group or similar products and/or services; and
- The market data, industrial information and statistical figures obtained from publicly available sources are true and accurate.

Company-specific Assumptions

- All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of Hada Group and Hangzhou Target Group have been obtained or can be obtained upon request with an immaterial cost;
- The core operations of Hada Group and Hangzhou Target Group will not differ materially from those of present or expected;

- The financial and operational information in respect of Hada Group and Hangzhou Target Group have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;

- Hada Group and Hangzhou Target Group currently have, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of Hada Group and Hangzhou Target Group, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of Hada Group and Hangzhou Target Group;

- Hada Group and Hangzhou Target Group have acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;

- The senior management of Hada Group and Hangzhou Target Group will implement only those prospective financial and operational strategies that will maximize the efficiency of the operations of Hada Group and Hangzhou Target Group;

- The senior management of Hada Group and Hangzhou Target Group have sufficient knowledge and experience in respect of the operations of Hada Group and Hangzhou Target Group, and the turnover of any director, management or key person will not affect the operations of Hada Group and Hangzhou Target Group;

- The senior management of Hada Group and Hangzhou Target Group have adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operations of Hada Group and Hangzhou Target Group;

- The senior management of Hada Group and Hangzhou Target Group has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operations of Hada Group and Hangzhou Target Group; and

- The Pre-Settlement Items referred in the Hada Acquisition Agreement will be settled before the completion of the Hada Acquisition.

9. VALUATION APPROACH

General Valuation Approaches

The following generally accepted valuation approaches have been considered in the course of our valuation: (1) the income approach; (2) the market approach; and (3) the cost approach.

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The discounted cash flow (DCF) method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows of the subject asset in future years were determined from the net income after tax plus non-cash expenses, such as depreciation and amortization expenses, and after-tax interest expense; the result was then less non-cash incomes, investment in capital expenditure and investment in net working capital.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The sales comparison method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing the same or a substitute asset with equal utility as the subject asset.

Under the cost approach, the historical cost method measures the cost incurred throughout the development of the subject asset at the time it was developed. The replication cost method measures the amount of investment that would be required to develop an asset similar to the subject asset. The replacement cost method measures the amount of investment that would be required to develop the subject asset as it currently exists.

Selected Valuation Approach

The selection of a valuation approach is based on, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise.

The income approach heavily relies on subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections are also needed to arrive at an indication of value.

The cost approach does not directly incorporate information about the economic benefits contributed by the subject asset.

Therefore, the market approach was considered to be the most appropriate valuation approach in the valuation, as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

10. VALUATION METHODOLOGY

Under the market approach, guideline company method was adopted in the valuations. The guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset, with adjustments of control premium and discount for lack of marketability if applicable. In applying the guideline company method, price multiples for publicly listed companies that are considered to be comparable to Hada Group and Hangzhou Target Group were calculated. The price multiples are ratios that relate business value to some measure of the company's financial performance.

11. VALUATION PARAMETERS

Comparable Companies

For the purpose of our valuations, we referred to the information in respect of publicly listed companies that are considered to be comparable to Hada Group and Hangzhou Target Group (referred to as the ''Comparable Companies'').

Selection Criteria of the Comparable Companies

The selection of the Comparable Companies was based on the comparability of the overall industry sector and geographical location. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

Regarding the industry sector and geographical location of Hada Group and Hangzhou Target Group, the availability of the financial information in calculating the price multiples adopted in the valuations and the revenue scales of Hada Group and Hangzhou Target Group, the following criteria were considered as reasonable to select the Comparable Companies.

The selection criteria of the Comparable Companies are as follows:

- The principal activities of the Comparable Companies are located in the PRC according to the latest available financial statements;
- As at the valuation date, the Comparable Companies are principally engaged in the distribution of agricultural produce or related business;
- The Comparable Companies have positive enterprise value and normalized earnings for the trailing 12 months as stated in the latest available financial statements. The normalized earnings are the earnings with exclusion of non-recurring and extraordinary items, such as gain or loss on disposal of operating assets;
- Shares of the Comparable Companies are trading as at the date of valuation; and
- Detailed financial information in respect of the Comparable Companies is available at publicly available sources.

Selected Comparable Companies

Given the abovementioned selection criteria, the Comparable Companies were considered to be fair and representative samples. Details of the Comparable Companies are as follows:

Comparable Company 1

Name of Company	:	Zhongbai Holdings Group Company Limited
Stock Code	:	000759.SZ
Stock Exchange	:	Shenzhen
Company Description	:	Zhongbai Holdings Group Company Limited is a China-based company engaged in commodities retailing. It operates department stores, chain supermarkets and electrical stores. It also involves in logistics and distribution services, as well as e-commerce business. It operates around 257 warehouse supermarkets, approximately 726 convenience stores, around 11 department stores and around 44 online stores.

Comparable Company 2

Name of Company	:	Sanjiang Shopping Club Company Limited
Stock Code	:	601116.SS
Stock Exchange	:	Shanghai
Company Description	:	Sanjiang Shopping Club Company Limited is a China-based company principally engaged in the operation of community supermarkets. It mainly provides aquatic products, fresh food, grain and oil, biscuits, drinks, liquor and tobacco, health products, daily necessities, as well as knitted and textile products for the daily life needs of community residents.

Comparable Company 3

Name of Company	:	New Huadu Supercenter Company Limited
Stock Code	:	002264.SZ
Stock Exchange	:	Shenzhen
Company Description	:	New Huadu Supercenter Company Limited is a China-based company principally engaged in chain operation of hypermarkets, supermarkets and department stores. It provides fresh meat and seafood, other food products, daily necessities and general merchandizes. It also involves in wholesaling and retailing of textile products, instruments, computers and accessories, construction materials and art crafts, as well as provision of commercial consulting services. Through its subsidiaries, it is also engaged in the logistics and information technology businesses.

Comparable Company 4

Name of Company	:	Chengdu Hongqi Chain Company Limited
Stock Code	:	002697.SZ
Stock Exchange	:	Shenzhen
Company Description	:	Chengdu Hongqi Chain Company Limited is a China-based company principally engaged in the operation of regular chain supermarkets. It mainly provides daily-used products, cigarettes, wines and food, among others. It also provides autobus card recharging services, ticket consignment services, payment of telecommunication and natural gas fee, as well as electronic payment services.

Comparable Company 5

Name of Company	:	Yonghui Superstores Company Limited
Stock Code	:	601933.SS
Stock Exchange	:	Shanghai
Company Description	:	Yonghui Superstores Company Limited is a China-based company, principally engaged in the operation of regular chain supermarkets. It primarily engages in the dealing of fresh meat products, agricultural products, processed foods, daily necessities, clothing, household appliances, electronic products and imported goods, among others. It operates its businesses principally through the operation of general merchandise stores, superstores and supermarkets, among others. It is also engaged in the provision of related services.

Comparable Company 6

Name of Company	:	Lianhua Supermarket Holdings Company Limited
Stock Code	:	0980.HK
Stock Exchange	:	Hong Kong
Company Description	:	Lianhua Supermarket Holdings Company Limited is a Hong Kong-based investment holding company principally engaged in the operation of hypermarkets. Its brands include Century Mart, Lianhua Supermarket, Hualian Supermarket and Lianhua Quik. It operates through four segments. Hypermarket Chain Operation segment is engaged in the operation of chain hypermarkets. Supermarket Chain Operation segment is engaged in the operation of chain supermarkets. Convenience Store Chain Operation segment is engaged in the operation of chain convenience stores. Other Operations segment is engaged in the sales of merchandises to wholesalers, the provision of logistics services for wholesale businesses, as well as the sales of goods through Internet.

Comparable Company 7

Name of Company	:	Beijing Jingkelong Company Limited
Stock Code	:	0814.HK
Stock Exchange	:	Hong Kong
Company Description	:	Beijing Jingkelong Company Limited is a Hong Kong-incorporated investment holding company principally engaged in the retailing and wholesales of daily consumer goods. It operates through three segments. The Retailing segment is mainly engaged in the distribution of food, untagged food, daily necessities, drinks and cigarettes, hardware and household appliances, among others. It sells goods through department stores, hypermarkets, supermarkets and convenience stores. The Wholesaling segment is mainly engaged in the wholesales of food, untagged food, beverage, drinks and daily necessities, among others. The Others segment is engaged in the sales of plastic packing materials and other commodities.

Comparable Company 8

Name of Company	:	Sun Art Retail Group Limited
Stock Code	:	6808.HK
Stock Exchange	:	Hong Kong
Company Description	:	Sun Art Retail Group Limited is an investment holding company principally engaged in the operation of hypermarkets and e-commerce platforms in China. It operates its hypermarket business by two recognized banners, namely Auchan and RT-Mart. The Company's subsidiaries include RT-MART Holdings Limited, Concord Investment (China) Company Limited and RT-MART Limited Shanghai. Through its subsidiaries, it is also engaged in property development, leasing and retailing business.

Comparable Company 9

Name of Company	:	Shenzhen Agricultural Products Company Limited
Stock Code	:	000061.SZ
Stock Exchange	:	Shenzhen
Company Description	:	Shenzhen Agricultural Products Company Limited is a China-based company principally engaged in the development, construction, operation and management of agricultural product wholesale markets. It mainly operates agricultural product wholesale market business, the provision of agricultural product supply chain service business, the provision of agricultural product wholesale market related services, agricultural product distribution, bulk agricultural product electronic trading, agricultural produce e-commerce business and the construction of new agricultural bases.

Apart from the Comparable Companies selected, we were not aware of any other listed company that fulfills the selection criteria, and we considered that the selected Comparable Companies are exhaustive.

Price Multiples

In the course of our valuation, we have considered various price multiples including the enterprise value (EV)-to-earnings before interest, taxes, depreciation and amortization (EBITDA) (EV/EBITDA) multiple, enterprise value (EV)-to-earnings before interest and taxes (EBIT) (EV/EBIT) multiple, price-to-earnings (P/E) multiple, price-to-sales (P/S) multiple and the price-to-book (P/B) multiple.

The EV/EBIT multiple is susceptible to differences in depreciation and amortization policy. The P/E multiple does not capture differences in financial leverage and related risk features across the companies. The P/S multiple does not capture differences in cost structure across companies. The P/B multiple does not reflect the value of intangible economic assets such as human capital, and inflation and technological change can cause the book values and market values of assets to differ significantly.

Therefore, EV/EBITDA multiple is considered more appropriate since it excludes depreciation and amortization and includes the short-term and long-term debts in calculation.

For our valuations, we have adopted the EV/EBITDA multiple in assessing the values of Hada Group and Hangzhou Target Group.

EV is calculated using the following formula:

EV = Market Cap + PE + MI + ST Debt + LT Debt – Cash

Where:

EV	=	enterprise value
Market Cap	=	market capitalization
PE	=	preferred equity
MI	=	minority interest
ST Debt	=	short-term debt
LT Debt	=	long-term debt
Cash	=	cash and cash equivalents

The EV/EBITDA multiples of the Comparable Companies are as follows:

Stock Code	**Company Name**	**EV/EBITDA Multiple**
000759.SZ	Zhongbai Holdings Group Company Limited	11.37
601116.SS	Sanjiang Shopping Club Company Limited	28.02
002264.SZ	New Huadu Supercenter Company Limited	13.92
002697.SZ	Chengdu Hongqi Chain Company Limited	24.79
601933.SS	Yonghui Superstores Company Limited	33.57
0980.HK	Lianhua Supermarket Holdings Company Limited	10.64
0814.HK	Beijing Jingkelong Company Limited	6.44
6808.HK	Sun Art Retail Group Limited	7.28
000061.SZ	Shenzhen Agricultural Products Company Limited	35.09
	Median:	**13.92**

The median of the EV/EBITDA multiples of the Comparable Companies of 13.92 was then multiplied by the respective EBITDA as derived from the combined management accounts of Hada Group and Hangzhou Target Group for the period from 1 January 2017 to 31 December 2017.

The EBITDA, EV and Equity Value

The basis of determining the EBITDA was consistently applied to the Comparable Companies, Hada Group and Hangzhou Target Group with exclusion of non-recurring and extraordinary items.

When calculating the EBITDA, EV and Equity Value of Hangzhou Target Group, the relevant financial figures were multiplied by the percentages of effective equity interest in Hangzhou Fruit-products, Hangzhou Vegetable and Hangzhou Changhai, which were 80%, 100% and 94.63% respectively.

The calculated EBITDA and EV of Hada Group and Hangzhou Target Group were as follows:

(RMB'000)	**Hada Group**	**Hangzhou Target Group**
EBITDA	768,163	153,606
EV/EBITDA multiple	13.92	13.92
EV*	10,692,829	2,138,196

* *EV= EBITDA x EV/EBITDA multiple*

The calculated EV of Hada Group was then adjusted by subtracting the total debt excluding the debt to be settled before the completion as the agreement between the Company, Yield Smart and New Amuse, preferred equity and minority interest and adding back the cash and cash equivalents. The calculated EV of Hangzhou Target Group was then adjusted by subtracting the total debt, preferred equity and minority interest and adding back the cash and cash equivalents.

The detailed adjustments to EV were as follows:

(RMB'000)	*Note*	**Hada Group**	**Hangzhou Target Group**
Less: Total debt	*	100,000	548,352
Add: Cash & cash equivalent		716,495	204,327
Total adjustments		616,495	(344,025)

* *Excluding the debt to be settled before the completion as the agreement between the Company, Yield Smart and New Amuse*

Total debt of Hada Group was calculated by adding the total debt of Hada Taget Group and the PRC Operating Companies of RMB16,620,900 and deducting the amount of RMB16,520,900 to be settled before the Hada Completion[1]. The total debt of Hangzhou Target Group was calculated by adding the debt of Hangzhou Fruit-products, Hangzhou Vegetable and Hangzhou Changhai of RMB24,000,000, nil and RMB456,745,000, respectively[2] plus the amount of RMB67,607,000[3] due to the previous shareholder of Hangzhou Changhai.

Cash & cash equivalent of Hada Group was calculated by adding the cash and cash equivalent of the PRC Operating Companies of RMB691,241,000 and that of the Hada Target Group of RMB1,825,254,000[4] and deducting the Hada Target Group's time deposit of RMB1,800,000,000[5] to settle a loan from bank. The cash and cash equivalent of Hangzhou Target Group was calculated by adding the cash and cash equivalent of Hangzhou Fruit-products, Hangzhou Vegetable and Hangzhou Changhai of RMB156,411,000, RMB41,273,000 and RMB6,643,000 respectively[6].

The calculated equity interest of Hada Group and Hangzhou Target Group were as follows:

(RMB'000)	**Hada Group**	**Hangzhou Target Group**
Equity Value of marketable and non-controlling interest	11,309,324	1,794,171

1 Being the total borrowings of the Hada Target Group, please refer to page II-5 of this circular.

2 Being the interest-bearing borrowings of 80% of RMB30.0 million and 94.63% of approximately RMB482.7 million of Hangzhou Fruit-products and Hangzhou Changhai, respectively, please refer to page V-153 and V-80 of this circular.

3 Being the amount due to a related party of 94.63% of approximately RMB71.4 million, please refer to page V-102 of this circular.

4 Being the cash & cash equivalent balance of the Hada Target Group, please refer to page IV-5 of this circular.

5 Being the time deposits with original maturity over three months of the Hada Target Group, please refer to page IV-35 of this circular.

6 Being the cash & cash equivalent balance of 80% of approximately RMB195.5 million, approximately RMB41.3 million, 94.63% of approximately RMB7.0 million Hangzhou Fruit-products, Hangzhou Vegetable and Hangzhou Changhai, respectively, please refer to page V-153, V-116 and V-80 of this circular.

The resulting equity value of marketable and non-controlling interest of Hada Group and Hangzhou Target Group was then further adjusted by the discount for lack of marketability and the control premium to derive our conclusion of valuation.

Discount for Lack of Marketability (DLOM)

The discount for lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell.

DLOM reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As Hada Group and Hangzhou Target Group are unlikely to undergo public offering and shares of Hada Group and Hangzhou Target Group are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in the near future, the ownership interests in Hada Group and Hangzhou Target Group are not readily marketable. However, the EV/EBITDA multiples adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; value calculated using such EV/EBITDA multiples, therefore, represents the marketable interest. Thus, DLOM was adopted to adjust such marketable interest value to non-marketable interest value.

According to the Stout Restricted Stock Study, published by Business Valuation Resources, LLC in 2017, DLOM is estimated as the percentage difference between the private placement price per share and the market trading price per share. 744 relevant private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through February 2017 have been examined in the Stout Restricted Stock Study. Premium in the market for restricted stock, which is considered as the result of an investment opportunity not available to other investors or an unidentifiable relationship with the seller has been excluded.

The Stout Restricted Stock Study analyzes the transaction database and provides mean and median discount rates. Since the median rate is not affected by abnormal extreme high and low values, we adopted the median discount rate of 15.90% calculated from the 744 transactions in the Stout Restricted Stock Study as DLOM for the valuations.

Control Premium

Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The EV/EBITDA multiples adopted in the valuation was calculated from public listed companies, which represent minority ownership interest. Thus, control premium was adopted to adjust such minority interest value to controlling interest value.

According to the Mergerstat Control Premium Study published by FactSet Mergerstat, LLC., control premium is expressed as a percentage of the unaffected marketable minority price per share. Completed transactions whereby 50.01% or more of a company was acquired and where target companies were publicly traded have been examined in the Mergerstat Control Premium Study.

The Mergerstat Control Premium Study is a comprehensive and updated research on control premium with empirical support done by FactSet Mergerstat, LLC., which is an independent information provider of merger and acquisition information. We are not aware of any other widely accepted control premium study with equivalent quality in terms of size of database and timeliness. Therefore, we adopted the Mergerstat Control Premium Study as the reference for control premium.

According to the Mergerstat Control Premium Study, the mean and median premiums were gathered from recent merger and acquisition transactions during the year of 2017, which includes the most updated market data. Since the median rate is not affected by abnormal extreme high and low values, the control premium in the valuation was determined with reference to the median premium of 26.80%.

With consideration of the discount for lack of marketability and the control premium, the values of Hada Group and Hangzhou Target Group were calculated as follows:

Value of Non-marketable and Controlling Interest

= Value of Marketable and Non-controlling Interest x (1 – DLOM) x (1 + Control Premium)

Adopted Parameters *of Valuations*

The values of 100% equity interest in Hada Group and Hangzhou Target Group calculated using EV/EBITDA multiple are as follows:

	Value before adjusting the DLOM and the control premium *(RMB)*	**Value after adjusting the DLOM and the control premium** *(RMB)*
Hada Group	11,000,000,000	12,000,000,000
Hangzhou Target Group	1,800,000,000	1,900,000,000

After adjusting the discount for lack of marketability and the control premium, our concluded values of 100% equity interests in Hada Group and Hangzhou Target Group under the EV/EBITDA multiple were RMB12,000,000,000 and RMB1,900,000,000 respectively.

12. REMARKS

For the purpose of our valuations, we have been furnished with information provided by the senior management of the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made or liability assumed for the accuracy of any data, opinions or valuations identified as being furnished by others, which have been used in formulating our analysis.

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB).

13. STATEMENT OF INDEPENDENCE

We hereby certify that we have neither present nor prospective interest in the Company, Hada Group, Hangzhou Target Group or the results reported. In addition, our directors are neither directors nor officers of the Company, Hada Group or Hangzhou Target Group.

In the course of our valuations, we are acting independently of all parties. Our fees are agreed on a lump-sum basis and are not correlated with the results of our valuation.

14. CONCLUSION OF VALUES

Our conclusion of values is based on accepted valuation procedures and practices that rely on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to uncertainties and contingencies that are beyond the control of the Company, Hada Group and Hangzhou Target Group or us.

Based on our analysis outlined in this report, it is our independent opinion that the market values of 100% equity interest in Hada Group (i.e. Hada Group) and Hangzhou Target Group (i.e. Hangzhou Target Group) as at 28 February 2018 were as below:

	Market Value *(RMB)*
Hada Group	12,000,000,000
Hangzhou Target Group	1,900,000,000

We hereby certify that we have neither present nor prospective interest in the Company, Hada Group, Hangzhou Target Group or the results reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng
BSc(Bldg), MUD, MBA(Finance), MSc. (Eng), PhD(Econ),
FSOE, FIPlantE, CEnv, FIPA, FAIA, CPA UK, SIFM,
MCIArb, MASCE, MHKIE, MIEEE, MASME, MISE
Managing Director

Note: Dr. Tony C. H. Cheng has various engineering and accounting & finance qualifications. He is a Fellow member of the Society of Operations Engineers, and the Institution of Plant Engineers, and a member of the Hong Kong Institution of Engineers and the American Society of Mechanical Engineers.

Besides, Dr. Cheng is a Fellow member of the Institute of Public Accountants, and the Institute of Financial Accountants. He is also a Fellow member and Committee member of the Certified Management Accountants Australia. He has extensive experience in valuing similar assets in different industries in Hong Kong and China.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 31 March 2018 of the real property interests located in the People's Republic of China.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6–8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6–8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

29 June 2018

Renhe Commercial Holdings Company Limited
No. 277 Xuefu Road, Nangang District
Harbin City, Heilongjiang Province
the People's Republic of China

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Renhe Commercial Holdings Company Limited (the ''Company'') for us to value the real properties located in the People's Republic of China (the ''PRC'') in which United Progress Group Limited and/or its subsidiaries (together referred to as the ''Hada Target Group'') have interests. We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the real property interests as at 31 March 2018 (the ''valuation date'').

BASIS OF VALUATION

Our valuations of the real property interests have been based on the Market Value, which is defined by The Hong Kong Institute of Surveyors as ''the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion''. The Market Value is also understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

In valuing the real property interests, we have adopted the Investment Approach by capitalising the net rents of the real property interests of which Hada Target Group is entitled to receive for the residual term of the lease of the real property interests. Where appropriate, we have adopted the Comparison Approach assuming sale in their existing states with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market.

The real property interests held by Hada Target Group are leased to Yield Smart Limited, a wholly-owned subsidiary of the Company, from New Amuse Limited, a connected party of the Company, for a term of 20 years, with an option to renew for a further term, at an annual rent of RMB100 million (exclusive of operating charges, property tax and other outgoings) as at the valuation date. In our valuations, we were instructed by the Company to assume that such lease had been terminated as at the valuation date.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Company that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Company's PRC legal advisor — Jingtian & Gongcheng Attorneys at Law (北京市競天公誠律師事務所) regarding the title of the real properties and the interests of Hada Target Group in these real properties. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the real property interests are sold in the market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the real property interests.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the real property interests and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

The real properties were inspected by Ms. Joannau Chan (MHKIS), Ms. Ellen Lo (BSc in Valuation & Estate Management), Mr. Edmund Cheng (MRICS), Ms. Yates Wong (MRICS) and Mr. Lawrence Lee (MSc in Construction and Real Estate) in March and April 2018. We have inspected the real properties externally and where possible, the interior of the real properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the real properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information given by Hada Target Group and the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the real properties and any other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the real properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by Hada Target Group and the Company and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the real properties or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the real property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and the International Valuation Standards (IVS) published by The International Valuation Standards Council.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for any exchange transfers.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Joannau W.F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Man C.M. Lam
BCom, MHKIS, MRICS, RPS(GP), AAPI, CPV
Director

Dr. Tony C.H. Cheng
BSc, MUD, MBA (Finance), MSc (Eng), PhD (Econ),
SIFM, FCIM, MASCE, MHKIE, MHKIS, MIET, MIEEE, MASME, MISE
Managing Director

Notes:

Dr. Tony C.H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 25 years' experience in valuations of properties in Hong Kong and over 19 years' experience in valuations of properties in the People's Republic of China.

Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 25 years' experience in valuations of properties in Hong Kong and over 19 years' experience in valuations of properties in the People's Republic of China.

Mr. Man C.M. Lam is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 13 years' experience in valuations of properties in Hong Kong and over 12 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Real Property	Market Value in existing state as at 31 March 2018 *RMB*
	Real property interests held by Hada Target Group for investment in the PRC	
1.	3 land parcels, 5 buildings and various structures located at the junction of Youyi Road and Yimian Street, Daoli District, Harbin City, Heilongjiang Province, the PRC	197,180,000
2.	A land parcel, 33 buildings and various structures located at Nos. 277–279 Xuefu Road, Nangang District, Harbin City, Heilongjiang Province, the PRC	2,801,070,000
3.	A land parcel, 12 buildings and various structures located at Yun'ao Village and Shiban Er Village, Shiban Town, Huaxi District, Guiyang City, Guizhou Province, the PRC	909,000,000
4.	3 land parcels, 20 buildings and various structures located at No. 157 Minhang Road, Longsha District, Qiqihar City, Heilongjiang Province, the PRC	241,600,000
5.	3 land parcels, 16 buildings and various structures located at the western side of Xinxing Road, Yangming District, Mudanjiang City, Heilongjiang Province, The PRC	154,940,000

No.	Real Property	Market Value in existing state as at 31 March 2018 *RMB*
6.	4 land parcels, various buildings and structures located at the northern side of North Ring Road and the western side of West Ring Road, Shouguang City, Shandong Province, the PRC	1,491,100,000
7.	6 land parcels, 17 buildings and various structures located at the northern side of Dongmao Road North, Dadong District, Shenyang City, Liaoning Province, the PRC	1,078,200,000
	Grand-total:	**6,873,090,000**

VALUATION CERTIFICATE

Real property interests held by Hada Target Group for investment in the PRC

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018 *RMB*
1.	3 land parcels, 5 buildings and various structures located at the junction of Youyi Road and Yimian Street, Daoli District, Harbin City, Heilongjiang Province, the PRC	The real property comprises 3 land parcels with a total site area of approximately 3,211.4 sq.m. together with 5 buildings and various structures completed in various stages between 2005 and 2007 erected thereon. The total gross floor area ("GFA") of the buildings of the real property is approximately 13,655.9 sq.m. The land use rights of the real property have been granted for various terms with the latest expiry date on 28 June 2057 for storage and commercial uses.	The real property was occupied as agricultural produce market as at the valuation date.	197,180,000

Notes:

1. The real property is located at Daoli District of Harbin City which is about 35 km from the airport in Harbin City. The immediate locality is a composite commercial/residential area.

2. Pursuant to 3 State-owned Land Use Rights Certificates, Ha Guo Yong (2008) Di Nos. 43 and 44, Ha Guo Yong (2010) 02000414, the land use rights of the real property with a total site area of approximately 3,211.4 sq.m. have been granted to Harbin Youyi Warehouse Co., Ltd. ("Harbin Youyi") for various terms with the latest expiry date on 28 June 2057 for storage and commercial uses.

3. Pursuant to 3 Building Ownership Certificates, Ha Fang Quan Zheng Li Zi Di Nos. 0701050626, 0801000671 and 0901017881, the building ownership rights of 3 buildings of the real property with a total GFA of approximately 12,868.9 sq.m. are legally owned by Harbin Youyi.

4. In the valuation of the real property, we have attributed no commercial value to 2 remaining buildings with a total GFA of approximately 787 sq.m. as relevant title certificates of such remaining buildings have not been obtained.

5. In the course our valuation, we have made reference to various rental information of the real property/similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB30 to RMB200 per sq.m.

6. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

   a. The land use rights and building ownership rights of the real property (except the buildings stated in Note 4) are legally vested in Harbin Youyi;

   b. Harbin Youyi is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the remaining buildings stated in Note 4 and the restriction in relation to the lease in effect) freely in the market;

c. As confirmed by Harbin Youyi, the real property is not subject to mortgage or any other material encumbrances;

d. As advised by Harbin Youyi, the application for the title certificates for the buildings stated in Note 4 is being processed; and

e. For the 2 remaining buildings without title certificates, Harbin Youyi may be subject to a risk of fine and the remaining buildings may be ordered to be demolished. Based on the confirmation from the competent government authorities, there exist no material impediments to obtain such title certificates.

7. Harbin Youyi is a wholly-owned subsidiary of Hada Target Group.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018 *RMB*
2.	A land parcel, 33 buildings and various structures located at Nos. 277–279 Xuefu Road, Nangang District, Harbin City, Heilongjiang Province, the PRC	The real property comprises a land parcel with a site area of approximately 128,914 sq.m. together with 33 buildings and various structures completed in various stages between 2003 and 2014 erected thereon. The total gross floor area (“GFA”) of the buildings of the real property is approximately 217,573.61 sq.m.) The land use rights of the real property have been granted for a term expiring on 7 November 2040 for commercial and service uses.	The real property was occupied as agricultural produce market as at the valuation date.	2,801,070,000

Notes:

1. The real property is located at Nangang District of Harbin City which is about 40 km from the airport in Harbin City. The immediate locality is a composite commercial/residential area.

2. Pursuant to a Stated-owned Land Use Rights Grant Contract (國有土地使用權出讓合同) entered into between Harbin City Land Resources Bureau (哈爾濱市國土資源局) and Harbin Fruit-products Wholesale Central Market (哈爾濱果品批發中心市場) dated 8 November 2000, the former agreed to grant to the latter the land use rights of real property with a site area of approximately 141,336 sq.m. at a total consideration of RMB28,453,033.89. However, pursuant to the Remarks of the Stated-owned Land Use Rights Grant Contract, the grantee of the land parcel of the real property has been changed to Harbin Hada Agricultural and Sideline Products Joint Stock Company Limited (“Harbin Hada”), and the site area has been amended to 128,914 sq.m.

3. Pursuant to a State-owned Land Use Rights Certificate, Ha Guo Yong (2008) Di No. 32754, the land use rights of the real property with a site area of approximately 128,914 sq.m. have been granted to Harbin Hada for a term expiring on 7 November 2040 for commercial and service uses.

4. Pursuant to 29 Building Ownership Certificates, 29 buildings of the real property with a total GFA of approximately 211,382.86 sq.m. are legally owned by Harbin Hada.

5. In the valuation of the real property, we have attributed no commercial value to 4 remaining buildings with a total GFA of approximately 6,190.75 sq.m. as relevant title certificates of such remaining buildings have not been obtained.

6. The real property is subject to a mortgage in favour of Bohai International Trust Co., Ltd. (渤海國際信託股份有限公司) at a loan amount of RMB1,265,000,000 for a term expiring on 25 December 2026.

7. In the course our valuation, we have made reference to various rental information of the real property/similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB30 to RMB200 per sq.m.

8. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

   a. The land use rights and building ownership rights of the real property (except the remaining buildings stated in Note 5) are legally vested in Harbin Hada;

   b. Harbin Hada is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the remaining buildings stated in Note 5, restriction in relation to the mortgage stated in Note 6 and the restriction in relation to the lease in effect) freely in the market;

   c. As advised by Harbin Hada, the application for the title certificates for the remaining buildings stated in Note 5 is being processed; and

   d. For the 4 buildings without title certificates, Harbin Hada may be subject to a risk of fine and the remaining buildings may be ordered to be demolished. Based on the confirmation from the competent government authorities, Harbin Hada is entitled to continue its occupation and usage in such buildings.

9. Harbin Hada is a wholly-owned subsidiary of Hada Target Group.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018 *RMB*
3.	A land parcel, 12 buildings and various structures located at Yun'ao Village and Shiban Er Village, Shiban Town, Huaxi District, Guiyang City, Guizhou Province, the PRC	The real property comprises a land parcel with a site area of approximately 171,844.13 sq.m. together with 12 buildings and various structures completed in various stages between 2012 and 2017 erected thereon. The total gross floor area ("GFA") of the buildings of the real property is approximately 187,080.71 sq.m. The land use rights of the real property have been granted for a term expiring in August 2052 for market uses.	The real property was occupied as agricultural produce market as at the valuation date.	909,000,000

Notes:

1. The real property is located at the southern suburban area of Guiyang City which is about 30 km from the airport in Guiyang City. The immediate locality is a local village.

2. Pursuant to a Stated-owned Construction Land Use Rights Grant Contract (國有建設用地使用權出讓合同) entered into between Guiyang City Land Resources Bureau (貴陽市國土資源局) and Guiyang Dili Agri-Products Logistics Park Company Limited (貴陽地利農產品物流園有限公司) ("Guiyang Dili") dated 22 August 2012, the former agreed to grant to the latter the land use rights of the real property with a site area of approximately 172,688 sq.m. at a total consideration of RMB36,200,000.

3. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Hua Xi Guo Yong (2012) Di No. 22168, the land use rights of the real property with a site area of approximately 171,844.13 sq.m. have been granted to Guiyang Dili for a term expiring in August 2052 for market uses.

4. Pursuant to a Building Ownership Certificate (房屋所有權證), Zhu Fang Quan Zheng Hua Xi Zi Di No. 100026975 (築房權證花溪字第100026975號), 2 buildings of the real property with a total GFA of approximately 78,485.53 sq.m. are legally owned by Guiyang Dili.

5. In the valuation of the real property, we have attributed no commercial value to 10 remaining buildings with a total GFA of approximately 108,595.18 sq.m. as relevant title certificates of such remaining buildings have not been obtained.

6. The real property is subject to a mortgage in favour of Shengjing Bank Co., Ltd. Shenyang Huashan Branch (盛京銀行股份有限公司瀋陽市華山支行) at a loan amount of RMB1,600,000,000 for a term expiring on 15 November 2018.

7. In the course our valuation, we have made reference to various rental information of the real property/ similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB20 to RMB80 per sq.m.

8. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

   a. The land use rights and building ownership rights of the real property (except the remaining buildings stated in Note 5) are legally vested in Guiyang Dili;

   b. Guiyang Dili is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the remaining buildings stated in Note 5, restriction in relation to the mortgage stated in Note 6 and the restriction in relation to the lease in effect) freely in the market;

   c. As advised by Guiyang Dili, the application for the title certificates for the remaining buildings stated in Note 5 is being processed; and

   d. For the 10 remaining buildings without title certificates, Guiyang Dili may be subject to a risk of fine and the remaining buildings may be ordered to be demolished. Based on the confirmation from the competent government authorities, there exist no material impediments to obtain such title certificates.

9. Guiyang Dili is a wholly-owned subsidiary of Hada Target Group.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018 *RMB*
4.	3 land parcels, 20 buildings and various structures located at No. 157 Minhang Road, Longsha District, Qiqihar City, Heilongjiang Province, the PRC	The real property comprises 3 land parcels (the "Land Parcels") with a total site area of approximately 73,838.7 sq.m. together with 17 buildings and various structures completed in various stages between 2008 and 2012 erected thereon. The real property also comprises 3 buildings ("other buildings") completed in between 2011 and 2015 erected upon a land parcel which is adjacent to the Land Parcels. The total gross floor area ("GFA") of the buildings of the real property is approximately 40,593.32 sq.m. The land use rights of the Land Parcels of the real property have been granted for a common term expiring in February 2059 for storage use.	The real property was occupied as agricultural produce market as at the valuation date.	241,600,000

Notes:

1. The real property is located in Longsha District which is about an hour from Qiqihar Sanjiazi Airport. The immediate locality is a residential area.

2. Pursuant to 3 State-owned Land Use Rights Certificates, Qi Tu Ji Guo Yong (2009) Di Nos. 0100055 to 0100057, the land use rights of the Land Parcels of the real property with a total site area of approximately 73,838.7 sq.m. have been granted to Qiqihar Hada Agricultural and Sideline Products Company Limited (齊齊哈爾哈達農副產品有限責任公司) ("Qiqihar Hada") for a common term expiring on 26 February 2059 for storage use.

3. Pursuant to 6 Building Ownership Certificates, Fang Quan Zheng Qi Zi Di Nos. S200904665, S200904667, S201004973, S201004975, S201406586 and S201406587, the building ownership rights of 6 buildings of the real property with a total GFA of approximately 30,114.37 sq.m. are legally owned by Qiqihar Haha.

4. In the valuation of the real property, we have attributed no commercial value to 14 remaining buildings with a total GFA of approximately 10,478.95 sq.m. as relevant title certificates of such buildings have not been obtained.

5. In the course our valuation, we have made reference to various rental information of the real property/similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB30 to RMB60 per sq.m.

6. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

   a. The land use rights and building ownership rights of the real property (except the remaining buildings stated in Note 4) are legally vested in Qiqihar Hada;

   b. Qiqihar Hada is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the remaining buildings stated in Note 4 and the restriction in relation to the lease in effect) freely in the market;

   c. As confirmed by Qiqihar Hada, the real property is not subject to mortgage or any other material encumbrances;

   d. As advised by Qiqihar Hada, the application for the title certificates for the portions of the remaining buildings stated in Note 4 with a total GFA of approximately 2,460.55 sq.m. is being processed;

   e. As advised by Qiqihar Hada, the application for the Construction Land Use Planning Permit and Construction Works Planning Permit for portions of the remaining buildings stated in Note 4 with a total GFA of approximately 2,000.4 sq.m. is being processed; and

   f. For the buildings stated in Note 6d and Note 6e and other buildings, Qiqihar Hada may be subject to a risk of fine and such buildings may be ordered to be demolished. Based on the confirmation from the competent government authorities, no action will be taken to impose fines or penalties on such buildings.

7. Qiqihar Hada is a wholly-owned subsidiary of Hada Target Group.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018 *RMB*
5.	3 land parcels, 16 buildings and various structures located at the western side of Xinxing Road, Yangming District, Mudanjiang City, Heilongjiang Province, The PRC	The real property comprises 3 land parcels with a total site area of approximately 168,151.4 sq.m. together with 16 buildings and various structures completed in various stages between 2013 and 2017 erected thereon. The total gross floor area ("GFA") of the real property is approximately 170,800.5 sq.m. The land use rights of the real property have been granted for various terms with the latest expiry date on 1 December 2051 for retail and wholesale uses.	The real property was occupied as agricultural produce market as at the valuation date.	154,940,000

Notes:

1. The real property is located in Yangming District which is about 13 km from the airport in Mudanjiang City. The immediate locality is a rural area.

2. Pursuant to 3 State-owned Land Use Rights Grant Contracts entered into between Mudanjiang Bureau of Land and Resources (牡丹江市國土資源局) and Mudanjiang Muda Agricultural and Sideline Products Company Limited (牡丹江牡達農副產品有限公司) ("Mudanjiang Muda") dated 31 May 2010, 25 November 2010 and 25 November 2011 respectively, the former agreed to grant to the latter the land use rights of the real property with a total site area of approximately 168,151.4 sq.m. at a total consideration of RMB90,090,000.

3. Pursuant to 3 Immovable Property Certificates (不動產權證書), Hei (2018) Mu Dan Jiang Shi Bu Dong Chan Quan Di Nos. 0007146, 0007161 and 0007166, the land use rights of the real property with a total site area of approximately 168,151.4 sq.m. have been granted to Mudanjiang Muda for various terms with the latest expiry date on 1 December 2051 for retail and wholesale uses.

4. In the course our valuation, we have made reference to various sale information of similar real properties within the locality which have the similar characteristics comparable to the real property. The unit rates of these sale information range from about RMB50 to RMB250 per sq.m.

5. In the valuation of the real property, we have attributed no commercial value to 16 buildings with a total GFA of approximately 170,800.5 sq.m. as relevant title certificates of such buildings have not been obtained.

6. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

   a. The State-owned Land Use Rights Grant Contracts are legally valid;

   b. The land use rights of the real property are legally vested in Mudanjiang Muda;

   c. Mudanjiang Muda is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the buildings stated in Note 5 and the restriction in relation to the lease in effect) freely in the market;

d. As confirmed by Mudanjiang Muda, the real property is not subject to mortgage or any other material encumbrances; and

e. For the 16 buildings without title certificates, Mudanjiang Muda may be subject to a risk of fine and such buildings may be ordered to be demolished. Based on the confirmation from the competent government authorities, the government will impose a minimum level of administrative fine. Upon settlement such fine, the government authorities will assist Mudanjiang Muda in the application for the relevant construction permit and there exist no material impediments to obtain such title certificates.

7. Mudanjiang Muda is a wholly-owned subsidiary of Hada Target Group.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018 *RMB*
6.	4 land parcels, various buildings and structures located at the northern side of North Ring Road and the western side of West Ring Road, Shouguang City, Shandong Province, the PRC	The real property comprises 4 land parcels with a total site area of approximately 1,123,925 sq.m. together with various buildings and various structures completed in various stages between 2009 and 2016 erected thereon. The total gross floor area ("GFA") of the buildings of the real property is approximately 545,456.74 sq.m. The land use rights of the real property have been granted for various terms with the latest expiry date on 4 February 2053 for wholesale and retail uses.	The real property was occupied as agricultural produce market as at the valuation date.	1,491,100,000

Notes:

1. The real property is located at the northwestern side of Shouguang City which is about 56 km from the Weifang Airport. The immediate locality is a composite commercial/residential area.

2. Pursuant to 4 State-owned Land Use Rights Certificates, Shou Guo Yong (2013) Di Nos. 00084–00087, the land use rights of 4 land parcels of the real property with a total site area of 1,123,925 sq.m. have been granted to Shouguang Agri-Products Logistics Park Company Limited ("Shouguang Logistics") for various terms with the latest expiry date on 4 February 2053 for wholesale and retail uses.

3. Pursuant to 106 Building Ownership Rights Certificates, issued by the Shouguang City Real Estate Management Bureau, various buildings of the real property with a total GFA of approximately 524,309.77 sq.m. are legally owned by Shouguang Logistics.

4. In the valuation of the real property, we have attributed no commercial value to various remaining buildings with a total GFA of approximately 21,146.97 sq.m. as relevant title certificates of such remaining buildings have not been obtained.

5. 3 land parcels with a total site area of 1,077,650 sq.m. and various buildings with a total GFA of approximately 524,309.77 sq.m. of the real property are subject to a Maximum Amount Mortgage Contract, registration No. 1010190116000022 in favour of Shengjiang Bank Co., Ltd. Beijing Branch (盛京銀行股份有限公司北京分行), dated 29 March 2016 for a term commencing on 29 March 2016 and expiring on 29 March 2023 at a loan amount of RMB2,500,000,000.

6. In the course our valuation, we have made reference to various rental information of the real property/ similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB20 to RMB210 per sq.m.

7. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

   a. The land use rights and building ownership rights of the real property (except the remaining buildings stated in Note 4) are legally vested in Shouguang Logistics;

   b. Shouguang Logistics is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the remaining buildings stated in Note 4, restrictions in relation to the mortgage stated in Note 5 and the restriction in relation to the lease in effect) freely in the market;

   c. As confirmed by Shouguang Logistics, the real property is not subject to mortgage (except Note 5) or any other material encumbrances; and

   d. For the remaining buildings stated in Note 4, Shouguang Logistics may be subject to a risk of fine and the remaining buildings may be ordered to be demolished. Based on the confirmation from the competent government authorities, no action will be taken to impose fines or penalties on such remaining the buildings.

8. Shouguang Logistics is a wholly-owned subsidiary of Hada Target Group.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018 *RMB*
7.	6 land parcels, 17 buildings and various structures located at the northern side of Dongmao Road North, Dadong District, Shenyang City, Liaoning Province, the PRC	The real property comprises 6 land parcels ("Land Parcel A", "Land Parcel B", "Land Parcel C", "Land Parcel D", "Land Parcel E" and "Land Parcel F") with a total site area of approximately 212,996.15 sq.m. together with various buildings and various structures completed in various stages between 2006 and 2014 erected thereon. The total gross floor area ("GFA") of the buildings of the real property is approximately 268,571 sq.m. The land use rights of the real property have been granted for various terms expiring on 30 October 2052 for Land Parcels A, B, C & D, 28 March 2050 for Land Parcel E and 11 December 2062 for Parcel F for wholesale & retail, commercial and storage uses respectively.	The real property was occupied as agricultural produce market as at the valuation date.	1,078,200,000

Notes:

1. The real property is located at the northeastern suburban area of Shenyang City which is about 40 km from the Shenyang Taoxian International Airport. The immediate locality is a composite commercial/residential area.

2. Pursuant to 4 State-owned Land Use Rights Certificates (國有土地使用證), Shen Yang Da Dong Guo Yong (2016) Di Nos. 0000028, 0000029, 0000030 and 0000031, the land use rights of Land Parcels A, B, C & D of the real property with a total site area of approximately 139,943 sq.m. have been granted to Shenyang Dili Agricultural and Sideline Products Company Limited (瀋陽地利農副產品有限公司) ("Shenyang Dili") for various terms expiring on 30 October 2052 for wholesale and retail uses.

3. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Shen Yang Guo Yong (2016) Di No. 0022, the land use rights of Land Parcel E of the real property with a site area of approximately 44,187.25 sq.m. have been granted to Shenyang Jindongmao Property Company Limited (瀋陽金東貿置業有限公司) ("Shenyang Jindongmao") for a term expiring on 28 March 2050 for commercial use.

4. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Shen Yang Guo Yong (2012) Di No. 0123, the land use rights of Land Parcel F of the real property with a site area of approximately 28,865.90 sq.m. have been granted to Liaoning Yindali Property Investment Company Limited (遼寧銀達利置業投資有限公司) ("Liaoning Yindali") for a term expiring on 11 December 2062 for storage use.

5. In the valuation of the real property, we have attributed no commercial value to 17 buildings with a total GFA of approximately 268,571 sq.m. as relevant title certificates of such buildings have not been obtained.

6. The land use rights of a Land Parcel E with a site area of approximately 44,187.25 sq.m. and various buildings with a total GFA of approximately 100,626.74 sq.m. of the real property are subject to a mortgage in favour of Shengjiang Bank Co., Ltd. Shenyang Huashan Branch (盛京銀行股份有限公司瀋陽市華山支行) dated 1 June 2017 for a term commencing on 1 June 2017 and expiring on 31 May 2019 at a loan amount of RMB860,000,000.

7. In the course our valuation, we have made reference to various sale information of similar real properties within the locality which have the similar characteristics comparable to the real property. The unit rates of these sale information range from about RMB550 to RMB7,160 per sq.m.

8. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

   a. The land use rights of the real property (except the buildings stated in Note 5) are legally vested in Shenyang Dili, Shenyang Jindongmao and Liaoning Yindali;

   b. Shenyang Dili, Shenyang Jindongmao and Liaoning Yindali are entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except buildings stated in Note 5, restrictions in relation to the mortgage stated in Note 6 and the restriction in relation to the lease in effect) freely in the market;

   c. There exist no legal impediment for Shenyang Jindongmao to obtain the relevant title documents of the buildings;

   d. As confirmed by Shenyang Dili, Shenyang Jindongmao and Liaoning Yindali, the real property is not subject to any mortgage (except Note 6) or any other material encumbrances; and

   e. For buildings without title certificates, Shenyang Dili and Liaoning Yindali may be subject to a risk of fine and such buildings may be ordered to be demolished. Based on the confirmation from the competent government authorities, there are no material impediments to obtain such title certificates.

9. Shenyang Dili, Shenyang Jindongmao and Liaoning Yindali are wholly-owned subsidiaries of Hada Target Group.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 31 March 2018 of the real property interests located in the People's Republic of China.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6–8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6–8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

29 June 2018

Renhe Commercial Holdings Company Limited
No. 277 Xuefu Road, Nangang District
Harbin City, Heilongjiang Province
the People's Republic of China

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Renhe Commercial Holdings Company Limited (the ''Company'') for us to value the real properties located in the People's Republic of China (the ''PRC'') in which Wise Path Holdings Limited and/or its subsidiaries (together referred to as the ''Hangzhou Target Group'') have interests. We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the real property interests as at 31 March 2018 (the ''valuation date'').

BASIS OF VALUATION

Our valuations of the real property interests have been based on the Market Value, which is defined by The Hong Kong Institute of Surveyors as ''the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion''. The Market Value is also understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

PROPERTY CATEGORISATIONS

In the course of our valuations, the real property interests are categorised into the following groups:

Group I — Real property interest partly held and partly leased by Hangzhou Target Group for investment in the PRC

Group II — Real property interests held by Hangzhou Target Group for investment in the PRC

VALUATION METHODOLOGY

In valuing the real property interests, we have adopted the Investment Approach by capitalising the net rents of the real property interests of which Hangzhou Target Group is entitled to receive for the residual term of the lease of the real property interests.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Company that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Company's PRC legal advisor — Jingtian & Gongcheng Attorneys at Law (北京市競天公誠律師事務所) regarding the title of the real properties and the interests of Hangzhou Target Group in these real properties. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the real property interests are sold in the market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the real property interests.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the real property interests and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

The real properties were inspected by Ms. Ellen Lo (BSc in Valuation & Estate Management) and Ms. Yates Wong (MRICS) from March to June 2018. We have inspected the real properties externally and where possible, the interior of the real properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the real properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information given by Hangzhou Target Group and the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the real properties and any other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the real properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by Hangzhou Target Group and the Company and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by Hangzhou Target Group and the Company and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the real properties or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the real property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and the International Valuation Standards (IVS) published by The International Valuation Standards Council.

Our valuations have been prepared under the generally accepted valuation procedures and is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for any exchange transfers.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Joannau W.F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Man C.M. Lam
BCom, MHKIS, MRICS, RPS(GP), AAPI, CPV
Director

Dr. Tony C.H. Cheng
BSc, MUD, MBA (Finance), MSc (Eng), PhD (Econ),
SIFM, FCIM, MASCE, MHKIE, MHKIS, MIET, MIEEE, MASME, MISE
Managing Director

Notes:

Dr. Tony C.H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 25 years' experience in valuations of properties in Hong Kong and over 19 years' experience in valuations of properties in the People's Republic of China.

Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 25 years' experience in valuations of properties in Hong Kong and over 19 years' experience in valuations of properties in the People's Republic of China.

Mr. Man C.M. Lam is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 13 years' experience in valuations of properties in Hong Kong and over 12 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Real Property	Market Value in existing state as at 31 March 2018 *RMB*
Group I — Real property interest partly held and partly leased by Hangzhou Target Group for investment in the PRC		
1.	Hangzhou Fruit Market located at Nos. 2 & 8 Bo Yuan Road and No. 3 West Road of Bo Yuan Road, Liang Zhu Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC	521,000,000
	Sub-total:	**521,000,000**
Group II — Real property interests held by Hangzhou Target Group for investment in the PRC		
2.	Hangzhou Agricultural and Sideline Food Logistics Park, and Hangzhou Vegetable Market located at No. 1 Gang Hong West Road, Liang Zhu Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC	735,000,000
3.	Hangzhou Agricultural and Sideline Food Logistics Park, and Hangzhou Aquatic Products Market located at Nos. 3–5 Dashiyang Road, Yuhang District, Hangzhou City, Zhejiang Province, the PRC	506,600,000

No.	Real Property	Market Value in existing state as at 31 March 2018 *RMB*
4.	2 land parcels and various buildings located at Nos. 90–94 Qingjiang Road, Shangcheng District, Hangzhou City, Zhejiang Province, the PRC	78,000,000
5.	A retail shop located at Block No. 11, Daguanxibayuan, Gongshu District, Hangzhou City, Zhejiang Province, the PRC	3,600,000
6.	A retail shop located at No. 136 Qinfeng Road, Jianggan District, Hangzhou City, Zhejiang Province, the PRC	3,000,000
7.	A retail shop located at No. 165 Dingqun Street, Jianggan District, Hangzhou City, Zhejiang Province, the PRC	1,800,000
	Sub-total:	**1,328,000,000**
	Grand-total:	**1,849,000,000**

VALUATION CERTIFICATE

Group I — Real property interest partly held and partly leased by Hangzhou Target Group for investment in the PRC

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018 *RMB*
1.	Hangzhou Fruit Market located at Nos. 2 & 8 Bo Yuan Road and No. 3 West Road of Bo Yuan Road, Liang Zhu Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC	The real property comprises 3 land parcels ("Land Parcel A", "Land Parcel B" and "Land Parcel C") with a total site area of approximately 126,324.3 sq.m. together with various buildings and various structures completed in various stages between 2008 and 2016 erected thereon. The total gross floor area ("GFA") of the buildings of the real property is approximately 104,070.13 sq.m. The land use rights of Land Parcel A of the real property have been granted for a term expiring in July 2059 for industrial use. The land use rights of Land Parcel B of the real property have been granted for a term expiring in November 2046 for commercial use. The land use rights of Land Parcel C of the real property were leased from an independent party for agricultural produce market use.	The real property was occupied as agricultural produce market and various portions of which were under various tenancies for various terms with the latest expiry date on 30 April 2032 at a total fixed annual rent of about RMB20,670,000 as at the valuation date.	521,000,000

Notes:

1. The real property is located in the suburban area of Hangzhou City which is about 48 km from the airport in Hangzhou City. The immediate locality is a composite commercial/residential area.

2. Pursuant to a State-owned Land Use Rights Certificate, Hang Yu Chu Guo Yong (2013) Di No.110–928, the land use rights of Land Parcel A of the real property with a site area of approximately 19,271.2 sq.m. have been granted to Hangzhou Fruit-wholesale Company Limited ("Hangzhou Fruit-wholesale") for a term expiring on 2 July 2059 for industrial use.

3. Pursuant to a State-owned Land Use Rights Certificate, Hang Yu Chu Guo Yong (2011) Di No.110–857, the land use rights of Land Parcel B of the real property with a site area of approximately 61,936 sq.m. have been granted to Hangzhou Fruit-wholesale for a term expiring on 1 November 2046 for commercial use.

4. Pursuant to a Tenancy Agreement dated 28 May 2013, Land Parcel C with a site area of approximately 45,117.1 sq.m. and various buildings with a total GFA of approximately 13,447.6 sq.m. of the real property were leased from an independent party for a term expiring on 30 April 2032 at a total rent at RMB459,933,000 exclusive of water and electricity charges for agricultural produce market use.

5. Pursuant to 19 Building Ownership Certificates, Yu Fang Quan Zheng Liang Zi Di Nos. 11112568 to 11112579 and 14300513 to 14300519, the building ownership rights of 19 buildings of the real property with a total GFA of approximately 90,622.53 sq.m. are legally owned by Hangzhou Fruit-wholesale.

6. Land Parcel B and 4 buildings with a total GFA of approximately 20,116.72 sq.m. of the real property is subject to a mortgage in favour of Logistic Centre Branch of Zhejiang Hangzhou Yuhang Rural Commercial Bank Holdings Co. Ltd. (浙江杭州余杭農村商業銀行股份有限公司物流中心支行) at a total loan amount of RMB40,000,000 for a term expiring on 27 September 2019.

7. In the course our valuation, we have made reference to various rental information of the real property/ similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB12 to RMB200 per sq.m.

8. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

   a. The land use rights and building ownership rights of the real property (except the land and buildings as stated in Note 4) are legally vested in Hangzhou Fruit-wholesale;

   b. Hangzhou Fruit-wholesale is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the land and buildings as stated in Note 4, the restriction in relation to the mortgage as stated in Note 6 and the restriction in relation to the lease in effect) freely in the market; and

   c. Hangzhou Fruit-wholesale is entitled to use and lease the buildings as stated in Note 4.

9. Hangzhou Fruit-wholesale is a wholly-owned subsidiary of Hangzhou Fruit-products Group Company Limited (''Hangzhou Fruit-products'').

10. Hangzhou Fruit-products is a majority-controlled subsidiary of Hangzhou Target Group.

VALUATION CERTIFICATE

Group II — Real property interests held by Hangzhou Target Group for investment in the PRC

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018 *RMB*
2.	Hangzhou Agricultural and Sideline Food Logistics Park, and Hangzhou Vegetable Market located at No. 1 Gang Hong West Road, Liang Zhu Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC	The real property comprises a land parcel with a site area of approximately 54,356.5 sq.m. together with various buildings and various structures completed in various stages between 2008 and 2010 erected thereon. The total gross floor area ("GFA") of the buildings of the real property is approximately 41,741.41 sq.m. The land use rights of the real property have been granted for a term expiring in September 2047 for commercial use.	The real property was occupied as agricultural produce market and logistics park, various portions of which were under various tenancies for various terms. For the portions with fixed rental, the latest expiry date of which is on 29 February 2020 at a total fixed annual rent of about RMB225,000 as at the valuation date.	735,000,000

Notes:

1. The real property is located in the suburban area of Hangzhou City which is about 45 km from the airport in Hangzhou City. The immediate locality is a composite commercial/residential area.

2. Pursuant to a State-owned Land Use Rights Certificate, Hang Yu Chu Guo Yong (2011) Di No.110–88, the land use rights of the real property with a site area of approximately 54,356.5 sq.m. have been granted to Hangzhou Vegetable Logistics Company Limited ("Hangzhou Vegetable Logistics") for a term expiring on 9 September 2047 for commercial use.

3. Pursuant to 8 Building Ownership Certificates, Yu Liang Zi Di Nos. 10083913 to 10083920, the building ownership rights of 8 buildings of the real property with a total GFA of approximately 41,741.41 sq.m. are legally owned by Hangzhou Vegetable Logistics.

4. The real property is subject to a mortgage in favour of Hangzhou Liang Zhu Branch of Agricultural Bank of China Holdings Co., Ltd. (中國農業銀行股份有限公司杭州良渚支行) at a total loan amount of RMB360,000,000 for a term expiring on 23 January 2021.

5. In the course our valuation, we have made reference to various rental information of the real property/similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB78 to RMB142 per sq.m.

6. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

   a. The land use rights and building ownership rights of the real property are legally vested in Hangzhou Vegetable Logistics; and

   b. Hangzhou Vegetable Logistics is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the restriction in relation to the mortgage as stated in Note 4 and the restriction in relation to the lease in effect) freely in the market.

7. Hangzhou Vegetable Logistics is a wholly-owned subsidiary of Hangzhou Target Group.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018 *RMB*
3.	Hangzhou Agricultural and Sideline Food Logistics Park, and Hangzhou Aquatic Products Market located at Nos. 3–5 Dashiyang Road, Yuhang District, Hangzhou City, Zhejiang Province, the PRC	The real property comprises a land parcel with a site area of approximately 74,122.5 sq.m. together with 6 buildings and various structures completed in various stages between 2012 and 2017 erected thereon. The total gross floor area ("GFA") of the buildings of the real property is approximately 95,768.83 sq.m. The land use rights of the real property have been granted for a term expiring on 10 May 2046 for commercial use.	The real property was occupied as aquatic products market, various portions of which were under various tenancies for various terms with the latest expiry date on 8 May 2046 at a total annual rent of about RMB57,722,000 as at the valuation date.	506,600,000

Notes:

1. The real property is located in the suburban area of Hangzhou City which is about 48 km from the airport in Hangzhou City. The immediate locality is a local village.

2. Pursuant to a Stated-owned Land Use Rights Grant Contract (國有土地使用權出讓合同) entered into between Yuhang Branch of Hangzhou City Land Resources Bureau (浙江省杭州市國土資源局余杭分局) and Hangzhou Changhai Industrial Company Limited (杭州昌海實業有限公司) ("Hangzhou Changhai") dated 27 February 2006, the former agreed to grant to the latter the land use rights of the real property with a site area of approximately 80,268 sq.m. at a consideration of RMB59,180,000.

3. Pursuant to a State-owned Land Use Rights Certificate, Hang Yu Chu Guo Yong (2009) Di No. 110–15, the land use rights of the real property with a site area of approximately 74,122.5 sq.m. have been granted to Hangzhou Changhai for a term expiring on 10 May 2046 for commercial use.

4. Pursuant to 6 Building Ownership Certificates, Yu Fang Quan Liang Zi Di Nos. 09047471 to 09047476, the building ownership rights of 6 buildings of the real property with a total GFA of approximately 95,768.83 sq.m. are legally owned by Hangzhou Changhai.

5. As advised by Hangzhou Changhai, the operating rights of portions of the real property with a total GFA of approximately 3,956.74 sq.m. (the "operating portion") have been transferred to various independent third parties in 2008. As at the valuation date, Hangzhou Changhai has leased back portions of the operating portion with a total GFA of approximately 3,524.46 sq.m. at a total monthly rent of RMB504,410.

6. The real property is subject to 4 mortgages in favour of Shanghai Pudong Development Bank Hangzhou Branch (上海浦東發展銀行股份有限公司杭州分行), Zhejiang Hangzhou Yuhang Rural Commercial Bank Co., Ltd. (浙江杭州余杭農村商業銀行股份有限公司), China Citic Bank Hangzhou Branch (中信銀行股份有限公司杭州分行) and Bank of Hangzhou Co., Ltd. Yuhang Liangzhu Branch (杭州銀行股份有限公司余杭良渚支行) at a total loan amount of RMB523,160,000 for a term expiring on 12 August 2025.

7. In the course our valuation, we have made reference to various rental information of the real property/ similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB25 to RMB90 per sq.m.

8. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

   a. The State-owned Land Use Rights Grant Contract is legally valid;

   b. The land use rights and building ownership rights of the real property are legally vested in Hangzhou Changhai; and

   c. Hangzhou Changhai is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the restriction in relation to the mortgages stated in Note 6 and the restriction in relation to the lease in effect) freely in the market.

9. Hangzhou Changhai is a majority-controlled subsidiary of Hangzhou Target Group.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018 *RMB*
4.	2 land parcels and various buildings located at Nos. 90–94 Qingjiang Road, Shangcheng District, Hangzhou City, Zhejiang Province, the PRC	The real property comprises 2 land parcels with a total site area of approximately 1,058 sq.m. together with various buildings completed in various stages between 1972 and 1991 erected thereon. The total gross floor area ("GFA") of the buildings of the real property is approximately 3,046.4 sq.m. The land use rights of the real property have been granted for terms with the latest expiry date on 9 December 2051.	The real property was occupied as retail shops and ancillary offices and various portions of which were held under various tenancies for various terms with the latest expiry date on 15 October 2019 at an annual rent of about RMB3,627,557 as at the valuation date.	78,000,000

Notes:

1. The real property is located in the Shangcheng District of Hangzhou City which is about 25 km from the airport in Hangzhou City. The immediate locality is a composite commercial/residential area.

2. Pursuant to a State-owned Land Use Rights Certificate, Hang Shang Guo Yong (2002) Zi Di No. 000095, the land use rights of No. 90 Qingjiang Road of the real property with a site area of approximately 744 sq.m. have been granted to Hangzhou Vegetable Company Limited ("Hangzhou Vegetable") for a term expiring on 9 December 2041 for commercial service use.

3. Pursuant to a State-owned Land Use Rights Certificate, Hang Shang Guo Yong (2002) Zi Di No. 000090, the land use rights of No. 94 Qingjiang Road of the real property with a site area of approximately 314 sq.m. have been granted to Hangzhou Vegetable for a term expiring on 9 December 2051 for comprehensive use.

4. Pursuant to a Building Ownership Certificate, Hang Fang Quan Zheng Shang Yi Zi Di No. 0120178, the building ownership rights of a retail shop of the real property with a GFA of approximately 2,446.37 sq.m. are legally owned by Hangzhou Vegetable.

5. In the course of our valuation, we have made reference to various rental information of the real property/similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB110 to RMB150 per sq.m.

6. In the valuation of the real property, we have attributed no commercial value to 2 buildings with a total GFA of approximately 600.03 sq.m. as relevant title certificates of such buildings have not been obtained.

7. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

    a. The land use rights and building ownership rights of the real property (except the buildings stated in Note 6) are legally vested in Hangzhou Vegetable;

b. Hangzhou Vegetable is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the buildings stated in Note 6 and the restriction in relation to the lease in effect) freely in the market; and

c. The buildings as stated in Note 6 are not related to the market business of Hangzhou Vegetable and therefore there are relatively low risk to the business. They are being occupied/rented as usual and there are no written/verbal warnings received in this regard.

8. Hangzhou Vegetable is a wholly-owned subsidiary of Hangzhou Target Group.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018 *RMB*
5.	A retail shop located at Block No. 11, Daguanxibayuan, Gongshu District, Hangzhou City, Zhejiang Province, the PRC	The real property comprises a retail shop on the ground floor of a building completed in about 1996. The gross floor area ("GFA") of the real property is approximately 139.92 sq.m. The land use rights of the real property have been granted for a term expiring on 23 November 2050 for commercial use.	The real property was occupied as retail shop which was held under a tenancy for a term with expiry date on 14 September 2020 at an annual rent of about RMB140,000 as at the valuation date.	3,600,000

Notes:

1. The real property is located in the Gongshu District of Hangzhou City which is about 35 km from the airport in Hangzhou City. The immediate locality is a residential area.

2. Pursuant to a State-owned Land Use Rights Certificate, Hang Gong Guo Yong (2011) Zi Di No. 002188, the land use rights of the real property have been granted to Hangzhou Vegetable Company Limited ("Hangzhou Vegetable") for a term expiring on 23 November 2050 for commercial use.

3. Pursuant to a Building Ownership Certificate, Hang Fang Quan Zheng Gong Yi Zi Di No. 0120999, the building ownership rights of the real property with GFA of approximately 139.92 sq.m. are legally owned by Hangzhou Vegetable.

4. In the course of our valuation, we have made reference to various rental information of the real property/similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB90 to RMB150 per sq.m.

5. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

   a. The land use rights and building ownership rights of the real property are legally vested in Hangzhou Vegetable; and

   b. Hangzhou Vegetable is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the restriction in relation to the lease in effect) freely in the market.

6. Hangzhou Vegetable is a wholly-owned subsidiary of Hangzhou Target Group.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018 *RMB*
6.	A retail shop located at No. 136 Qinfeng Road, Jianggan District, Hangzhou City, Zhejiang Province, the PRC	The real property comprises a retail shop on Level 1 of a building completed in about 2011. The gross floor area ("GFA") of the real property is approximately 157.37 sq.m. The land use rights of the real property have been granted for a term expiring on 19 June 2051 for commercial service use.	The real property was occupied as retail shop which was held under a tenancy for a term with expiry date on 28 February 2019 at an annual rent of about RMB120,000 as at the valuation date.	3,000,000

Notes:

1. The real property is located in the Jianggan District of Hangzhou City which is about 35 km from the airport in Hangzhou City. The immediate locality is a residential area.

2. Pursuant to a State-owned Land Use Rights Certificate, Hang Jiang Guo Yong (2012) Zi Di No. 017180, the land use rights of the real property have been granted to Hangzhou Fruit-products Group Company Limited ("Hangzhou Fruit-products") for a term expiring on 19 June 2051 for commercial service use.

3. Pursuant to a Building Ownership Certificate, Hang Fang Quan Zheng Jiang Yi Zi Di No. 12061758, the building ownership rights of the real property with GFA of approximately 157.37 sq.m. are legally owned by Hangzhou Fruit-products.

4. In the course of our valuation, we have made reference to various rental information of the real property/similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB70 to RMB90 per sq.m.

5. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

   a. The land use rights and building ownership rights of the real property are legally vested in Hangzhou Fruit-products; and

   b. Hangzhou Fruit-products is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the restriction in relation to the lease in effect) freely in the market.

6. Hangzhou Fruit-products is a majority-controlled subsidiary of Hangzhou Target Group.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 March 2018 *RMB*
7.	A retail shop located at No. 165 Dingqun Street, Jianggan District, Hangzhou City, Zhejiang Province, the PRC	The real property comprises a retail shop on Level 1 of a building completed in about 2017. The gross floor area ("GFA") of the real property is approximately 93.04 sq.m. The land use rights of the real property have been granted for a term expiring on 19 June 2051 for commercial service use.	The real property was vacant as at the valuation date.	1,800,000

Notes:

1. The real property is located in the Jianggan District of Hangzhou City which is about 35 km from the airport in Hangzhou City. The immediate locality is a residential area.

2. Pursuant to a Real Estate Title Certificate, Zhe (2017) Hangzhou City Bu Dong Chan Quan Di No. 0365301, the building ownership rights of the real property with GFA of approximately 93.04 sq.m. are legally owned by Hangzhou Fruit-products Group Company Limited ("Hangzhou Fruit-products") and the land use rights of the real property have been granted to Hangzhou Fruit-products.

3. In the course of our valuation, we have made reference to various rental information of the real property/similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly units rent of these rental information range from about RMB70 to RMB90 per sq.m.

4. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:

   a. The land use rights and building ownership rights of the real property are legally vested in Hangzhou Fruit-products; and

   b. Hangzhou Fruit-products is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property freely in the market.

5. Hangzhou Fruit-products is a majority-controlled subsidiary of Hangzhou Target Group.

A. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility for the information contained therein, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

B. DISCLOSURE OF INTERESTS

1. Directors' interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company or any of their associates had or were deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) entered in the register required to be kept pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors and Listed Issuers as set out in Appendix 10 of the Listing Rules ("**Model Code**"):

Directors' and chief executive's interest in Shares and underlying Shares of the Company

Name of director	Capacity	Nature of interest *(note 1)*	Number of issued Shares/underlying Shares	Approximate percentage of interest in the Company
Mr. Dai Yongge	Beneficial owner	L *(note 2)*	200,070,000	0.46%
	Interest in controlled corporations	L *(note 3)*	27,417,389,531	62.36%
	Interest of spouse	L *(note 4)*	48,031,332,170	109.25%
	Interest in a controlled corporation	S	66,556,293	0.15%
Mr. Wang Hongfang	Beneficial owner	L *(note 5)*	36,465,000	0.08%
	Interest in a controlled corporation	L *(note 6)*	9,847,500	0.02%

Name of director	Capacity	Nature of interest *(note 1)*	Number of issued Shares/underlying Shares	Approximate percentage of interest in the Company
Ms. Zhang Xingmei	Interest in a controlled corporation	L *(note 7)*	48,031,332,170	109.25%
	Interest of spouse	L *(note 8)*	27,617,459,531	62.82%
	Interest of spouse	S	66,556,293	0.15%
Mr. Zhang Dabin	Beneficial owner	L *(note 9)*	3,900,000	0.00%
	Interest in a controlled corporation	L *(note 10)*	17,030,000	0.04%
Ms. Wang Chunrong	Interest in a controlled corporation	L *(note 11)*	43,680,000	0.10%

Notes:

(1) The letter "L" denotes the person's long position in such Shares and the letter "S" denotes the person's short position in such Shares.

(2) Among the 200,070,000 Shares interested in by Mr. Dai Yongge, 153,900,000 Shares are held by Mr. Dai Yongge and 46,170,000 Shares are interested in by Mr. Dai Yongge being the nil-paid Rights Shares provisionally allotted to him under the Rights Issue.

(3) Among 27,417,389,531 Shares deemed to be interested in by Mr. Dai Yongge, 159,120,000 Shares are interested in by Gloss Season Limited ("**Gloss Season**"), 832,990,665 Shares are interested in by Wealthy Aim Holdings Limited ("**Wealthy Aim**") and 26,425,278,866 Shares are interested in by Super Brilliant Investments Limited ("**Super Brilliant**"). The entire issued share capital of Super Brilliant is held by Shining Hill Investments Limited ("**Shining Hill**"), which is held as to 100% by Mr. Dai Yongge. The entire issued share capital of Wealthy Aim is held by Broad Long Limited ("**Broad Long**"), which is held as to 100% by Mr. Dai Yongge. Therefore, Mr. Dai Yongge is deemed to be interested in the Shares interested in by Gloss Season, Super Brilliant and Wealthy Aim.

Among the 159,120,000 Shares interested in by Gloss Season, 122,400,000 Shares are held by Gloss Season and 36,720,000 Shares are interested in by Gloss Season being the nil-paid Rights Shares provisionally allotted to it under the Rights Issue.

Among the 832,990,665 Shares interested in by Wealthy Aim, 640,762,050 Shares are held by Wealthy Aim and 192,228,615 Shares are interested in by Wealthy Aim being the nil-paid Rights Shares provisionally allotted to it under the Rights Issue.

Among the 26,425,278,866 Shares interested in by Super Brilliant, 15,383,738,082 Shares are held by Super Brilliant; 4,615,121,424 Shares are interested in by Super Brilliant being the nil-paid Rights Shares provisionally allotted to it under the Rights Issue; and 6,426,419,360 Shares are interested in by Super Brilliant pursuant to its underwriting obligation under an underwriting agreement in connection with the Rights Issue.

(4) Mr. Dai Yongge is deemed to be interested in the Shares interested in by his spouse, Ms. Zhang Xingmei.

(5) Among the 36,465,000 Shares interested in by Mr. Wang Hongfang, 28,050,000 Shares are held by Mr. Wang Hongfang and 8,415,000 Shares are interested in by Mr. Wang Hongfang being the nil-paid Rights Shares provisionally allotted to him under the Rights Issue.

(6) Mr. Wang Hongfang holds the entire issued share capital of Swift Fast Limited ("**Swift Fast**") and therefore is deemed to be interested in the Shares interested in by Swift Fast. Among the 9,847,500 Shares interested in by Swift Fast, 7,575,000 Shares are held by Swift Fast and 2,272,500 Shares are interested in by Swift Fast being the nil-paid Rights Shares provisionally allotted to it under the Rights Issue.

(7) Ms. Zhang Xingmei holds the entire issued share capital of Win Spread Limited ("**Win Spread**"). Win Spread holds the entire issued share capital of Dili Group Holdings Company Limited ("**Dili Group**"). Dili Group holds the entire share capital of Shouguang Dili Agri-Products Group Company Limited ("**Shouguang Dili**"). Shouguang Dili holds the entire issued share capital of New Amuse Limited ("**New Amuse**"). Among the 48,031,332,170 Shares interested in by New Amuse, 6,243,902,439 Shares are held by New Amuse; (ii) 39,914,259,000 Shares represent the Conversion Shares convertible from the Convertible Bond in the aggregate principal amount of HK$6,506,024,217, based on the initial conversion price of HK$0.163, to be issued by the Company to New Amuse upon completion of the Hada Acquisition; and (iii) 1,873,170,731 Shares are interested in by New Amuse being the nil-paid Rights Shares provisionally allotted to it under the Rights Issue. Accordingly, each of Ms. Zhang Xingmei, Win Spread, Dili Group and Shouguang Dili is deemed to be interested in the 48,031,332,170 Shares interested in by New Amuse. As at the Latest Practicable Date, the Convertible Bond had not yet been issued by the Company to New Amuse, and accordingly no Shares had been converted therefrom.

(8) Ms. Zhang Xingmei is deemed to be interested in the Shares interested in by her spouse, Mr. Dai Yongge.

(9) Among the 3,900,000 Shares interested in by Mr. Zhang Dabin, 3,000,000 Shares are held by Mr. Zhang Dabin and 900,000 Shares are interested in by Mr. Zhang Dabin being the nil-paid Rights Shares provisionally allotted to him under the Rights Issue.

(10) Mr. Zhang Dabin holds the entire issued share capital of United Magic Limited ("**United Magic**") and therefore is deemed to be interested in the Shares interested in by United Magic. Among the 17,030,000 Shares interested in by United Magic, 13,100,000 Shares are held by United Magic and 3,930,000 Shares are interested in by United Magic being the nil-paid Rights Shares provisionally allotted to it under the Rights Issue.

(11) Ms. Wang Chunrong holds the entire issued share capital of Wonder Future Limited ("**Wonder Future**") and therefore is deemed to be interested in the Shares interested in by Wonder Future. Among the 43,680,000 Shares interested in by Wonder Future, 33,600,000 Shares are held by Wonder Future and 10,080,000 Shares are interested in by Wonder Future being the nil-paid Rights Shares provisionally allotted to it under the Rights Issue.

2. Substantial Shareholders' interests

Save as disclosed below, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Capacity	Nature of interest *(note 1)*	Number of Shares	Approximate percentage of interest in the Company
Super Brilliant	Beneficial owner	L *(note 2)*	26,425,278,866	60.10%
	Beneficial owner	S	66,556,293	0.15%
Shining Hill	Interest in a controlled corporation	L *(note 2)*	26,425,278,866	60.10%
	Interest in a controlled corporation	S	66,556,293	0.15%
New Amuse	Beneficial owner	L *(note 3)*	48,031,332,170	109.25%
Shouguang Dili	Interest in a controlled corporation	L *(note 3)*	48,031,332,170	109.25%
Dili Group	Interest in a controlled corporation	L *(note 3)*	48,031,332,170	109.25%
Win Spread	Interest in a controlled corporation	L *(note 3)*	48,031,332,170	109.25%

Notes:

(1) The letter "L" denotes the person's long position in such shares, and the letter "S" denotes the person's short position in such shares.

(2) Mr. Dai Yongge is interested in the entire issued share capital of Shining Hill which in turn is interested in the entire issued share capital of Super Brilliant and therefore, Mr. Dai Yongge and Shining Hill are deemed or taken to be interested in the Shares beneficially owned or interested in by Super Brilliant for the purposes of the SFO.

(3) Ms. Zhang Xingmei is interested in the entire issued share capital of Win Spread which in turn is interested in the entire issued share capital of Dili Group. Dili Group holds the entire issued share capital of Shouguang Dili which in turn holds the entire issued share capital of New Amuse. Therefore, each of Ms. Zhang Xingmei, Win Spread, Dili Group and Shouguang Dili is deemed or taken to be interested in the Shares beneficially owned or interested in by New Amuse for the purpose of the SFO.

C. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

D. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date, save for the Acquisitions and the Rights Issue, (i) none of the Directors had, directly or indirectly any interest in any assets which have since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and (ii) none of the Directors were materially interested in, whether directly or indirectly, any subsisting contract or arrangement which is significant in relation to the business of the Enlarged Group.

E. LITIGATION

As at the Latest Practicable Date, the Enlarged Group was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the members of the Group.

F. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

G. MATERIAL CONTRACTS

During the two years immediately preceding the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by the Group and are or may be material:

(a) the Hada Acquisition Agreement;

(b) the Hangzhou Acquisition Agreement; and

(c) the underwriting agreement dated 5 June 2018 and entered into between the Company and Super Brilliant in relation to the Rights Issue.

H. EXPENSES

The expenses in connection with the Acquisitions, including financial, legal and other professional advisory fees, printing and translation expenses are estimated to be approximately RMB19 million and will be payable by the Company.

I. EXPERT'S CONSENT AND QUALIFICATIONS

Each of Grand Moore, KPMG and BMI Appraisals has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s) and/or report(s) and/or valuation certificate(s) and/or opinion(s) and the references to their names included herein in the form and context in which it is respectively included.

The following are the qualifications of the experts who have given opinions or advices which are contained in this circular:

Name	Qualifications
Grand Moore	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
KPMG	Certified Public Accountants
BMI Appraisals	Independent Professional Valuer

Each of the experts named above confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, nor did it have any direct or indirect interests in any assets which have since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

J. MATERIAL ADVERSE CHANGE

Save as disclosed, the Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

K. CORPORATE INFORMATION

Company secretary:	Hung Fan Kwan (FCPA, FCCA)
Registered Office:	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal Place of Business in Hong Kong:	Suites 1701–1703, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

L. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours, Monday to Friday (other than public holidays) at the principal place of business of the Company at Suites 1701–1703, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong from the date of this circular up to and including 12 July 2018:

(a) the material contracts as set out under paragraph headed "G. Material Contracts" of this appendix above;

(b) the letter from the Independent Financial Adviser, the text of which is set out on pages 41 to 81 of this circular;

(c) the annual reports of the Company for each of the years ended 31 December 2015, 2016 and 2017;

(d) the Accountants' Report on the Hada Target Group prepared by KPMG, the text of which is set out in Appendix IV to this circular;

(e) the Accountants' Reports on the Hangzhou Target Group prepared by KPMG, the text of which is set out in Appendix V to this circular;

(f) the report on the Unaudited Pro Forma Financial Information of the Enlarged Group prepared by KPMG, the text of which is set out in Appendix VI to this circular;

(g) the Business Valuation Report prepared by BMI Appraisals, the texts of which are set out in Appendix VII to this circular;

(h) the Property Valuation Reports on Hada Target Group and Hangzhou Target Group prepared by BMI Appraisals, the text of which are set out in Appendix VIII and IX to this circular, respectively;

(i) the consent letters referred to in the paragraph headed "I. Expert's Consent and Qualifications" in this appendix above;

(j) this circular; and

(k) the memorandum and articles of association of the Company.

M. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text, in the event of inconsistency.

Renhe Commercial Holdings Company Limited
人和商業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1387)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Renhe Commercial Holdings Company Limited (the "**Company**") will be held at Tianshan & Lushan Room, Level 5, Island Shangri-La. Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Friday, 20 July 2018 at 3:00 p.m. for the purposes of considering and, if thought fit, passing the following resolution no. 1 to 3 as ordinary resolutions of the Company, with or without amendments:

Capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 29 June 2018 to the Shareholders (the "**Circular**") unless otherwise specified.

ORDINARY RESOLUTIONS

Resolution in relation to the Hada Acquisition and the Specific Mandate

1. "**THAT**:

   the Hada Acquisition Agreement and the transactions contemplated thereunder, be and are hereby approved and confirmed (including the issue of the Convertible Bond and the Conversion Shares in accordance with the terms and conditions of the Hada Acquisition Agreement and the instruments constituting the Convertible Bond be and is hereby approved); and conditional upon the Listing Committee granting the listing of, and the permission to deal in, the Conversion Shares, the grant of the Specific Mandate for the allotment and issue of the Conversion Shares; and the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the matters contemplated in this resolution no. 1;"

* *For identification purposes only*

Resolution in relation to the Hangzhou Acquisition

2. "**THAT**:

the Hangzhou Acquisition Agreement and the transactions contemplated thereunder, be and are hereby approved and confirmed; and the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the matters contemplated in this resolution no. 2."

Resolution in relation to the increase authorised share capital

3. "**THAT**:

the authorised share capital of the Company be and is hereby increased from HK$800,000,000 to HK$1,500,000,000 divided into 150,000,000,000 by the creation of additional 70,000,000,000 ordinary shares of HK$0.01 each; and the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the matters contemplated in this resolution no. 3."

By order of the Board
Renhe Commercial Holdings Company Limited
Dai Yongge
Chairman

Hong Kong, 29 June 2018

Notes:

(1) The register of members of the Company will be closed for registration of transfer of shares from Wednesday, 18 July 2018 to Friday, 20 July 2018, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong on or before 4:30 p.m., Tuesday, 17 July 2018.

(2) Any member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(3) Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share, shall alone be entitled to vote in respect thereof.

(4) To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(5) The resolution at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

(6) As at the date of this notice, the board of directors of the Company comprises Mr. Dai Yongge (Chairman), Mr. Wang Hongfang (Chief Executive Officer) and Mr. Dai Bin; the non-executive directors are Mrs. Hawken Xiu Li, Ms. Jiang Mei, Ms. Zhang Xingmei, Mr. Zhang Dabin and Ms. Wang Chunrong; the independent non-executive directors are Mr. Fan Ren-Da, Anthony, Mr. Wang Shengli, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man.