RENHE

Renhe Commercial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1387

ANNUAL REPORT 2017

Contents

Corporate Information

Directors

Executive Directors

Dai Yongge (Chairman)
Wang Hongfang (Chief Executive Officer)
Dai Bin

Non-Executive Directors

Hawken Xiu Li
Jiang Mei
Zhang Xingmei
Zhang Dabin
Wang Chunrong

Independent Non-Executive Directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu
Leung Chung Ki
Tang Hon Man

Audit Committee

Fan Ren-Da, Anthony (Chairman)
Wang Shengli
Wang Yifu

Remuneration Committee

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

Nomination Committee

Wang Shengli (Chairman)
Dai Yongge
Wang Yifu

Authorised Representatives

Wang Hongfang
Hung Fan Kwan FCPA, FCCA

Company Secretary

Hung Fan Kwan FCPA, FCCA

Auditors

KPMG
Certified Public Accountants

Registered Office

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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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Central
Hong Kong

China Office

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Nangang District
Harbin, Heilongjiang
China

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
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Wanchai
Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 1387

Investor Relations

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Chairman's Statement

On behalf of the board of directors (the "Board") of Renhe Commercial Holdings Company Limited (the "Company", together with its subsidiaries, collectively the "Group"), I report to all shareholders on the full year results for the year ended 31 December 2017.

As mentioned in my statement for 2017 interim results, 2017 marked the brand new page of the Group where we only focused on our agriculture wholesale market business.

Importance of the "Agriculture Industry" (三農產業) (meaning agriculture (農業), rural communities (農村) and famers (農民) has always been emphasized in the "No. 1 Central Document (一號文）"(the first policy statement of the year released by the central government of the PRC) every year. In the "No. 1 central document" released in 2018, the new policy on agriculture industry emphasized on rural revitalization strategy which was first proposed as one of the major aspects of developing a modernized economy in the report delivered to the 19th National Congress of the CPC (中國共產黨第十九次全國代表大會"十九大") in October 2017.

During the "Two Sessions" of the PRC (referring to the National People's Congress 全國人民大會 and The Chinese People's Political Consultative Conference 中國人民政治協商會議) held in March 2018, the theme "rural revitalization strategy" was further emphasized and discussed widely among different spectrum of industries. In addition, it was also the first time where CEOs and senior management of various e-commerce giants made speeches on investments on agriculture products safety, logistics network for agri-products as well as information and data technology infrastructure for agriculture sector etc. We expect the "Agriculture Industry" overall and any ancillary industries will become a hotspot for investments in the near and medium term.

For us, given our long history and experience in the operation of agriculture wholesale markets business, I myself see a vast amount of opportunities waiting for us out there. With the extensive geographical coverage, the characteristics of the "small-scale peasant economy" (小農經濟) in China, and the perishable and bulky nature of agri-products, we believe the existence of agriculture wholesale markets cannot be eliminated nor replaced within the value chain of the agriculture industry in China. The core function of agriculture wholesale markets in China is to gather agri-products from farmers to a regional centralized place and then distribute them to retailers and further to consumers.

In the coming year of 2018, while we are still undergoing the process of upgrading and modernizing our existing markets, we are also looking for investments or partnership opportunities in areas along the upstream and downstream of the agriculture value chain in China.

During the first half of 2017, our Group was invited to bid for an acquisition of a global renown skincare and cosmetic retailer, though unfortunately our Group lost in the bidding process. Subsequent to this failed exercise, our management had decided to focus only on agriculture-related businesses should there be such an acquisition or investment opportunities presented to the Group.

On behalf of the Board, I would like to thank all members of the board for their positive inputs, and all members of our management team and employees for their team work and commitment.

Dai Yongge
Chairman

Management Discussion and Analysis

Our Business

The Group currently operates 7 wholesale markets in 6 cities in the PRC.

China Shouguang Agricultural Produce Logistics Park ("Shouguang Logistics Park")

Shouguang Logistics Park is located in Shouguang City, Shandong Province and is one of the largest vegetable wholesale market in China in terms of floor area. Shouguang City is one of the largest vegetable plantations and supply bases in China (in terms of production quantity and trading volume).

Shouguang Logistics Park is an origin wholesale market for vegetable trading. In addition to the trading of vegetables grown in the local vicinity for distribution to other cities throughout China, the market also provides platforms for cross-regional vegetable trading including the sale of vegetables grown in southern China to wholesalers from northern China and vice versa. Shouguang Logistics Park opens 24 hours a day, 7 days a week, with daily peak trading conducted from mid night to early morning.

Shouguang Logistics Park consists of trading halls, warehouses, icehouses/temperature-controlled storage facilities, transportation/logistics centers, truck parking vicinities, office area and living quarters etc.

Harbin Hada Agricultural Produce Market ("Harbin Hada Market")

Harbin Hada Market is located in the southern area of Harbin Municipality, close to the starting point of the Beijing-Harbin Expressway and the Harbin South Railway Station. It is our first agriculture wholesale market which started its operation in 2002 and has 15 years of history by now.

Harbin Hada Market is a distribution wholesale market where sellers, including regional wholesalers and local farmers, trade with buyers, mainly comprised of retailers from the Harbin Municipality and from other cities in the Heilongjiang Province. Such retailers, including local supermarkets, shopkeepers from local markets and street vendors, then further sell products to consumers. Harbin Hada Market opens 24 hours a day, 7 days a week. Agricultural produce traded in Harbin Hada Market is not only supplied to the residents in Harbin Municipality, but also distributed to other cities within Heilongjiang Province as well as cities in the adjacent provinces such as Inner Mongolia, Jilin Province and even Russia.

Started initially as primarily a fruit market, Harbin Hada Market now offers trading platforms covering wide variety of agricultural produce including fruit, vegetables, grain and oil, seafood, green food, condiments, nuts and dried fruit and snacks.

Harbin Hada Market includes trading halls, warehouses, icehouses/temperature-controlled storage facilities, truck parking vicinities, office area, living quarters, etc.

Shenyang Shouguang Dili Agricultural By-Products Market ("Shenyang Shouguang Dili Market")

Shenyang Shouguang Dili Market in fact comprises Shenyang Fruit Market and Shenyang Fruit and Vegetable Market. Shenyang Fruit Market is an old market with its operation started in the mid-1990's. The two markets are adjacent to each other and are located in Dadong District, Shenyang City, Heilongjiang Province.

Shenyang Shouguang Dili Market is also a distribution wholesale market. It mainly focuses on fruits trading yet it also has trading for vegetable and other agriculture products.

Shenyang Shouguang Market includes trading halls, warehouses, icehouses/temperature-controlled storage facilities, truck parking vicinities, office area, living quarters, etc.

Management Discussion and Analysis

Qiqihar Hada Agricultural Produce Market ("Qiqihar Hada Market")

Qiqihar Hada Market is located in the southern area of Qiqihar City, Heilongjiang Province, and is adjacent to the freight yard of the Qiqihar Railway Station. It is a distribution wholesale market. It used to be the fruit trading center in Qiqihar City. Under our operation since 2008, we have successfully increased the categories of trading products from fruits to other agricultural produce, such as vegetables. Products traded at Qiqihar Hada Market can be supplied to Siberia in Russia through Manzhouli, the port city in Inner Mongolia close to Qiqihar City.

Qiaihar Hada Market includes fruit trading halls, vegetable trading area, icehouses/temperature-controlled storage facilities, etc.

Harbin Youyi Agricultural Product Market ("Harbin Youyi Market")

Harbin Youyi Market is a distribution wholesale market primarily focused on the trading of seafood, as well as other agricultural produce such as frozen foods, meat, vegetables, fruit and bean products. It is located in the Daoli District, Harbin City, Heilongjiang Province. Among all of our agriculture wholesale markets, Harbin Youyi Market is the smallest market in terms of GFA. However, Harbin Youyi Market is the largest seafood market in Heilongjiang Province.

Muda International Agricultural Produce Logistics Park ("Muda Logistics Park")

Muda Logistics Park is located in the Tielinghe Town in Mudanjiang City, Heilongjiang Province. It is also one of our distribution wholesale markets. It consists of vegetable and fruit trading halls, warehouses, icehouses/temperature-controlled storage facilities, office area, truck parking vicinities, etc.

Guiyang Agricultural Produce Logistics Park ("Guiyang Logistics Park")

The Guiyang Logistics Park is located in Guiyang City, Guizhou Province. It is our only wholesale market in Southwest part of China. The Guiyang Logistics Park consists of large scale vegetable and fruit trading halls, trading areas for seafood, dry goods, eggs and poultry, imported fruit and local specialties, warehouses, temperature-controlled storages, distribution area, truck parking vicinities, office area, etc.

Business Review

Below is the summary of our 7 agriculture wholesale markets:

Agriculture wholesale market	Location	GFA (sq.m)	2017 Revenue RMB' million
China Shouguang Agricultural Produce Logistics Park	Shouguang City, Shandong province	537,003	**137.9**
Harbin Hada Agricultural Produce Market	Harbin City, Heilongjiang province	185,035	**304.5**
Shenyang Shouguang Dili Agricultural By-Products Markets	Shenyang City, Liaoning province	235,123 *(note 2)*	**253.4**
Qiqihar Hada Agricultural Produce Market	Qiqihar City, Heilongjiang province	49,106 *(note 3)*	**77.0**
Harbin Youyi Agricultural Produce Market	Harbin City, Heilongjiang province	17,952 *(note 4)*	**21.9**
Muda International Agricultural Produce Logistics Park	Mudanjiang City, Heilongjiang province	116,758	**44.0**
Guiyang Agricultural Produce Logistics Park	Guiyang City, Guizhou province	173,620	**149.4**
Total		1,314,597	**988.1**

Notes:

1. The land and properties of the respective markets are not owned by the Group. Except for those specifically stated in the notes below, all such land and properties are leased by the respective owners, associated entities controlled by the Group's controlling shareholder, to the Group for the operation of the market under a framework lease agreement (the "Framework Lease Agreement") entered into between the vendor of the acquisition and the Group. Pursuant to the Framework Lease Agreement, the annual rent for all the markets listed above shall be RMB100 million per year commencing from 27 July 2015 to 31 December 2018, exclusive of operating charges, property tax and other outgoings.

2. Among the total gross floor area ("GFA") of approximately 235,123 sq.m, approximately 149,931 sq.m are leased from the associated entity controlled by the Group's controlling shareholder and approximately 85,192 sq.m are leased from the independent third party landlords.

3. Among the total GFA of approximately 49,106 sq.m, approximately 40,175 sq.m are leased from the associated entity controlled by the Group's controlling shareholder and approximately 8,931 sq.m are leased from the independent third party landlords.

4. Among the total GFA of approximately 17,952 sq.m, approximately 15,552 sq.m are leased from the associated entity controlled by the Group's controlling shareholder and approximately 2,400 sq.m are leased from the independent third party landlords.

Management Discussion and Analysis

Financial Review

On 8 July 2016, the Group completed the disposal of all 23 completed shopping malls, all the 11 shopping malls under construction and 10 shopping malls at the planning stage. As such, all the operation relating to the shopping mall business will be classified as discontinued operation and the operation relating to the agriculture business will be classified as continuing operation.

Revenue

Our revenue comprises commission income primarily based on either value of transactions or weight of products, which we charge to traders. We also earn lease income by leasing space at the warehouses, icehouses and other facilities we have at our markets to assist traders to store and pack their products, and from renting rooms at our on-site residential areas and motels to traders.

For the year ended December 2017, the Group recorded a consolidated revenue of approximately RMB988.1 million (2016: RMB1,001.8 million), representing a decrease of about 1.4% when compared with that of last year. The lease income slightly increased by 2.3% to RMB249.2 million in this year as compared to RMB243.5 million in last year. However, the commission income decreased by 2.6% to RMB738.9 million in this year as compared to RMB758.3 million in last year. The drop of commission income arose from the fluctuation of vegetable prices and the increase in market competition. The lease income is relatively stable.

	2017 **RMB' million**	2016 RMB' million	Change RMB' million	Change %
Commission income	**738.9**	758.3	(19.4)	(2.6)
Lease income	**249.2**	243.5	5.7	2.3
Total	**988.1**	1,001.8	(13.7)	(1.4)

The analysis by agriculture wholesales market:

	Notes	2017 RMB' million	2016 RMB' million	Change RMB' million	Change %
China Shouguang Agricultural Produce Logistic Park	*i*	**137.9**	161.8	(23.9)	(14.8)
Harbin Hada Agricultural Produce Market		**304.5**	318.0	(13.5)	(4.2)
Shenyang Shouguang Dili Agricultural By-Products Market	*ii*	**253.4**	230.7	22.7	9.8
Qiqihar Hada Agricultural Produce Market		**77.0**	75.2	1.8	2.4
Harbin Youyi Agricultural Produce Market		**21.9**	22.0	(0.1)	(0.5)
Muda International Agricultural Produce Logistics Park		**44.0**	43.6	0.4	0.9
Guiyang Agricultural Produce Logistic Park		**149.4**	150.5	(1.1)	(0.7)
Total		**988.1**	1,001.8	(13.7)	(1.4)

Notes:

i. With the relative high price of vegetables in early 2016, farmers shifted more resources in planting vegetables. The over-supply of vegetables in the first half of 2017 resulted in the decrease in vegetable prices and our corresponding commission income.

ii. The increase of revenue was due to the improvement of sales mix which arose from the sales of more high end products.

Gross Profit

Gross profit margin of agriculture business was 100% as both lease income and commission income does not incur any cost of sales.

Other Income

Other income mainly comprised market service fee income of RMB117.7 million (2016: RMB126.6 million).

Administration expenses

Administration expenses mainly comprised staff cost, depreciation and trip expenses. The increase was mainly due to the increase in trip expenses taken by management to explore new business opportunities.

Other operating expenses

Other operating expenses mainly consisted of amortization of intangible assets of RMB324.3 million (2016: RMB324.3 million) arose from the acquisition of the agriculture business and the operating lease expenses of RMB118.2 million (2016: RMB116.9 million) for leasing the properties (including land and buildings) to facilitate the on-going operations of the agriculture business in accordance with the Framework Lease Agreement entered during the acquisition of the agriculture business.

Finance income

Finance income mainly represented the interest income earned from agriculture business operation. The increase was mainly due to improvement of cash flow and increase in bank balance during the year.

Finance expenses

Finance expenses mainly represented bank interest and charges. The drop was mainly because the loans were fully repaid in 2016.

Liquidity and Financial Resources

The Group has net cash position and has strong financial resources to support its working capital and future expansion.

Capital Structure and Treasury Policy

The Group adopts a conservative policy in capital structure management. The Group closely monitors its cash flow position to ensure the Group has sufficient working capital available to meet the operational needs. It also takes into account the trade receivables, trade payables, bank balances and cash, administrative and capital expenditures to prepare the cash flow forecast to forecast the its future financial liquidity.

Details of the Group's exposure to fluctuations in exchange rates and related hedges are included in note 28(d) — Foreign currency risk to the Financial Statements of this Report.

Charges on Assets

As at 31 December 2017, the Group had no charges on Group's assets.

Capital Commitment

As at 31 December 2017, the future capital expenditure for which the Group had contracted but not provided for in respect of continuing operation amounted to approximately RMB16.6 million (as at 31 December 2016: amounted to RMB11.7 million) while the future capital expenditure for which the Group had authorized but not contracted for in respect of continuing operation amounted to approximately nil (as at 31 December 2016: amounted to RMB8.0 million).

Gearing Ratio

The gearing ratio as at 31 December 2017, which is calculated by dividing the total interest-bearing borrowings by total assets was nil (as at 31 December 2016: Nil).

Human Resources

As at 31 December 2017, the Group employed 2,009 staff (as at 31 December 2016: 2,109 staff). The Group's employees are remunerated according to the job nature, individual performance and market trends with built-in merit components. Total remuneration for the year ended 31 December 2017 was approximately RMB249.7 million as compared with RMB305.8 million for the year ended 31 December 2016. We have established a training program that aims to support and encourage members of our management team to continue improving their management skills and develop their careers, including arranging for seminars. We provide orientation training as well as on-the-job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development. Employees in Hong Kong participate in Mandatory Provident Fund Scheme while employees in the PRC also participate in similar scheme.

Dividend

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2017 (2016: Nil).

Directors and Senior Management Profile

Executive Directors

Mr. DAI Yongge (戴永革), aged 49, was appointed as an Executive Director in December 2007 and the Chairman on 25 August 2008, and is a member of the remuneration committee and nomination committee of the Board. He was also the Chief Executive Officer between 26 February 2008 and 29 June 2014.

With over 21 years of experience in the management of underground shopping centres, Mr. Dai is primarily responsible for the Group's overall strategic planning and the management of the Group's business. Mr. Dai became a director of Harbin Renhe Century Public Facilities Co., Ltd.* (哈爾濱人和世紀公共設施有限公司) ("Harbin Renhe Century"), the vice chairman of Guangzhou Renhe New World Public Facilities Co., Ltd. (廣州人和新天地公共設施有限公司) ("Guangzhou Renhe") and the chairman of Zhengzhou Renhe New World Investment Management Co., Ltd. (鄭州人和新天地投資管理有限公司) ("Zhengzhou Renhe") in 2003, 2005 and 2007 respectively and was responsible for the Group's strategic planning and management of the underground shopping centres in Harbin, Guangzhou and Zhengzhou. He was appointed as the chief executive officer of Renhe Group between 1999 and 2003 and was responsible for the strategic planning and management of Renhe Group. Mr. Dai was also involved in the management of a number of retail businesses in the PRC for over 10 years before becoming the chairman of Renhe Group in 1999. Mr. Dai is a brother of Mrs. Hawken Xiu Li, the spouse of Ms. Zhang Xingmei and father of Mr. Dai Bin.

Mr. WANG Hongfang (王宏放), aged 58, was appointed as the Chief Executive Officer in June 2014. He was also appointed as an Executive Director in December 2007 and as the Executive President (Investments and Financing) of the Company on 26 February 2008.

Mr. Wang joined Renhe Group in 2003 and has over 23 years of management experience. He is primarily responsible for the management of the Group's investments and financing. In 2003, he was appointed as the vice president of Renhe Group and became the executive president in 2006. Prior to joining Renhe Group, he was assigned management positions in a number of companies in the PRC during the period from 1994 to 2000. From 2001 to 2003, Mr. Wang was the president of Harbin Jurong New Power Co., Ltd. in which he was responsible for the overall planning and management of its business. Mr. Wang graduated from Harbin Institute of Technology (哈爾濱工業大學) with a bachelor's degree in automatic control mechanics (自動化控制) in 1982 and a master's degree in politics and economics in 1991.

Mr. DAI Bin (戴彬), aged 26, was appointed as our Executive Director in June 2014, and is primarily involved in the operation and management of the Company. He graduated from University of New South Wales, Australia, with a bachelor's degree of commerce, major in finance in 2012. Mr. Dai Bin is the son of Mr. Dai Yongge and Ms. Zhang Xingmei. He is also the nephew of Mrs. Hawken Xiu Li.

Non-Executive Directors

Mrs. HAWKEN Xiu Li (秀麗 • 好肯), aged 55, was appointed as our Non-Executive Director in November 2007. Mrs. Hawken joined Renhe Group in 1996 and is responsible for assisting our Executive Directors to formulate the Company's business strategies. She was appointed as a director of Harbin Renhe since 1996 and was appointed as its chairperson in 2002 until present. She has also been a director of Harbin Baorong since 2000. Mrs. Hawken graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in Chinese Literature in 1986. Mrs. Hawken is a sister of Mr. Dai Yongge and aunt of Mr. Dai Bin.

Ms. JIANG Mei (蔣梅), aged 46, was appointed as our Non-Executive Director in December 2007. Ms. Jiang joined Renhe Group in 2002 and is responsible for assisting our Executive Directors to formulate our Group's business strategies. Since 2002, she has been a director of Harbin Renhe Century. She has also been a director of Guangzhou Renhe and a director of Zhengzhou Renhe since 2005 and 2007, respectively. Prior to joining Renhe Group, she was the deputy general manager of an advertising company in the PRC from 1993 to 2000. Ms. Jiang graduated from Beijing Dance Academy (北京舞蹈學院) in 1991.

Ms. ZHANG Xingmei (張興梅), aged 49, was appointed as our Non-Executive Director in December 2007. Ms. Zhang joined Renhe Group in 1996 and has over 21 years of management experience of the underground shopping centres in the PRC. Since 1996, Ms. Zhang has been appointed as a director of Harbin Renhe. Since 2000, she has been a director of Harbin Baorong Public Facilities Co., Ltd.* (哈爾濱寶榮公共設施有限公司) ("Harbin Baorong"). She has also been the chairperson of Harbin Renhe Century since 2002. She has been appointed as a director of Guangzhou Renhe and Zhengzhou Renhe since 2005 and 2007 respectively, and is responsible for overseeing the operation of their underground shopping mall projects. Ms. Zhang graduated from Heilongjiang Institute of Economic Management (黑龍江省哈爾濱經濟管理幹部學院) with a college degree in business administration in 1992. Ms. Zhang is the spouse of Mr. Dai Yongge and mother of Mr. Dai Bin.

Directors and Senior Management Profile

Mr. ZHANG Dabin (張大濱), aged 59, was re-designated as our Non-Executive Director in June 2014, prior to which he had been our Executive Director since December 2007. He was also appointed as the Executive President (Project Construction) of the Company in 2008. Mr. Zhang joined Renhe Group in 1999 and has more than 24 years of experience in real estate planning related businesses. From 1999 to 2003, Mr. Zhang was appointed as the chairman of Renhe Group. In 2003, he became the chief executive officer and a director of Renhe Group. Mr. Zhang was appointed as a director of Harbin Baorong, Harbin Renhe Century, Guangzhou Renhe and Zhengzhou Renhe in 2000, 2002, 2005 and 2007 respectively, in which he was in charge of the overall strategic planning and construction of the Group's projects. Prior to joining Renhe Group, he worked at Heilongjiang Province Urban Real Estate Development Company (黑龍江省城鎮房屋開發公司) as an assistant general manager from 1990 to 1992 and a deputy general manager from 1992 to 1999 and was responsible for overseeing the development of the real estate projects. Mr. Zhang was one of the members of the National Defense General Staff Corps of Engineers Construction Engineering Design (工程兵國防人防工程施工圖設計文件審查中心專家組) in 2007.

Ms. WANG Chunrong (王春蓉), aged 49, was re-designated as our Non-Executive Director since June 2014, prior to which she had been our Executive Director since December 2007. She was also appointed as a Vice President (Finance) of the Company on 26 February 2008. Ms. Wang joined the Renhe Group in 1996 and has over 27 years of experience in financial management. Ms. Wang is primarily responsible for overseeing the finance function of the Group. She worked as a manager at the finance department of Harbin Renhe Group from 1996 to 2000, and was later appointed as a director of Harbin Renhe since 2002. She is responsible for the financial management of the Group. Prior to joining Renhe Group, she worked at the accounting department of Heilongjiang Province Technology Information Research Office (黑龍江省科技情報研究所) from 1990 to 1996. She was appointed as the vice president of Renhe Group in 2003. Ms. Wang graduated from Harbin Radio and TV University (哈爾濱廣播電視大學) in 1990.

Independent Non-Executive Directors

Mr. FAN Ren-Da, Anthony (范仁達), aged 57, joined in 2007 as an independent Non-Executive Director of the Company. He holds a Master's Degree in Business Administration from the USA. He is the chairman and managing director of AsiaLink Capital Limited. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange. Mr. Fan is an independent non-executive director of CITIC Resources Holdings Limited (Stock Code: 1205), Raymond Industrial Limited (Stock Code: 229), Uni-President China Holdings Limited (Stock Code: 220), CGN New Energy Holdings Co., Ltd. (Stock Code: 1811), China Development Bank International Investment Limited (Stock Code: 1062), Neo-Neon Holdings Ltd (Stock Code: 1868), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), Technovator International Limited (Stock Code: 1206), Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868) and Hong Kong Resources Holdings Company Limited (Stock Code: 2882), all listed on the Main Board of the Stock Exchange.

Mr. WANG Shengli (王勝利), aged 68, was appointed as an independent Non-Executive Director of the Company since August 2008. He is the chairman of the remuneration committee and the nomination committee, and a member of the audit committee, of the Board of the Company. Mr. Wang is a retired military officer in the PRC with over 42 years of experience in the national defense force. Mr. Wang is currently the vice president of the China Commercial Real Estate Association (中國商業地產聯盟), a national association for the commercial real estate industry in the PRC which has a very close working relationship with the Ministry of Commerce of the PRC, Ministry of Construction of PRC and similar government agencies. Mr. Wang is also currently the vice chairman of the civil air defense subdivision of China Civil Engineering Society (中國土木工程協會防護工程分會副理事長), the consultant of Beijing Civil Defense Association (北京民防協會) and the consultant of Shandong Province Civil Defense Association (山東民防協會). From 1985 to 2005, he was an officer of the Civil Air Defense Department of the PRC (中國國家人民防空辦公室). Mr. Wang graduated from Liaoning University (遼寧大學) in 1985 with a bachelor's degree in Chinese Literature and politics.

Mr. WANG Yifu (王一夫), aged 67, was appointed as an independent Non-Executive Director of the Company since August 2008. He is also a member of each of the audit committee, remuneration committee and nomination committee of the Board of the Company. Mr. Wang has over 35 years of experience in the banking and finance industry. He worked at several branches of the China People's Construction Bank (中國人民建設銀行) in Harbin from 1975 to 1993, during which he had worked at the accounting and investment divisions of various branches. He was appointed as the director (行長) of the marketing division and the senior economist of Harbin main branch of the China People's Construction Bank in 1991 and 1993, respectively. In 1996, Mr. Wang was appointed as the supervisor (監事長) of the internal auditing department of Harbin Commercial Bank (哈爾濱商業銀行) and was promoted to vice-governor (副行長) of the same department in 1999. Since 2004, Mr. Wang has been the inspector (調研員) of Harbin Commercial Bank (哈爾濱商業銀行). Mr. Wang graduated from Northeast Heavy Machinery College (東北重型機械學院) with a college degree in mechanical engineering in 1975.

Mr. LEUNG Chung Ki (梁松基), aged 61, was appointed as the independent Non-Executive Director of the Company since 2012. Mr. Leung graduated with bachelor degree in business administration in the Chinese University of Hong Kong and a master degree in business administration in the De Paul University in United States. Mr. Leung has over 20 years of banking experience and holds directorships in various companies engaging in investment since 2000.

Mr. TANG Hon Man (鄧漢文), aged 59, was appointed as the independent Non-Executive Director of the Company since 2012. Mr. Tang graduated with a bachelor degree in business administration in the Chinese University of Hong Kong. Mr. Tang has over 30 years of working experience and has been appointed as the director of supply chain management division of an international electronic product distribution group since 2006 and a director of supply chain management division of a global 3D printing technology company listed in the United States of America since April 2013.

Directors and Senior Management Profile

Senior Management

Mr. CHU Chengfa (楚成發), aged 50, is the vice president of our Company, and is responsible for the management of the Group's administration and legal affairs. Mr. Chu joined Renhe Group in 1999 and has almost 26 years of experience in the legal compliance field. Mr. Chu was appointed as the head of the legal affairs department of Renhe Group in 1999 and vice president of Renhe Group in 2003, advising the overall legal compliance of all the Group's projects. Prior to joining Renhe Group, Mr. Chu worked at Heilongjiang Province Hongsheng Trade Co. (黑龍江省宏盛經貿公司) as the head of the legal department and the deputy general manager of the company from 1991 to 1999. Mr. Chu graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law in 1991.

Mr. HUNG Fan Kwan (孔繁崑), FCPA, FCCA, aged 53, is our vice president and chief financial officer, qualified accountant and company secretary, and is primarily responsible for overseeing the Group's financial reporting and compliance with the requirements under the Hong Kong Listing Rules with regard to financial reporting and other accounting-related issues. Mr. Hung joined the Group in March 2008, is retained by the Group on a full-time basis and has over 30 years experience in accounting, finance and treasury functions. Prior to joining the Group, Mr. Hung was appointed to a number of senior accounting and financial positions with various listed and private companies in Hong Kong, including as executive director, chief financial officer and qualified accountant of Modern Beauty Salon Holdings Limited, a company listed on the Main Board of the Stock Exchange, and was previously a vice audit manager at Coopers & Lybrand (currently known as PricewaterhouseCoopers). Mr. Hung graduated with a Professional Diploma in Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Chartered Association of Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales.

Mr. SUN Qiwei (孫啟偉), aged 58, is a deputy general manager of our project construction department. Mr. Sun joined Renhe Group in 1996 and has over 21 years of experience in business administration and management of underground construction projects. He was the office head of Harbin Renhe from 1996 to 1999. From 1999 to 2003, he was appointed as an assistant general manager and head of the office of Renhe Group. From 2006 to 2007, Mr. Sun was appointed as a general manager of Guangzhou Renhe. Since 2007, he has been appointed as the vice general commander of the construction command office of Zhengzhou Renhe. From 2003 to 2006, he was a deputy general manager of Harbin Hada Fruits and Vegetables Wholesale Market Co. Limited (哈達果菜批發市場有限公司). Mr. Sun graduated from Harbin Radio and TV University (哈爾濱廣播電視大學) with a college degree in Chinese journalism in 1988.

Mr. GENG Xiaoguo (耿孝國), aged 53, is a vice president and deputy general manager of our project construction department. Mr. Geng joined our Group in 2001 and has over 16 years of experience in project construction, mainly involved in the application process of the construction projects when they first commenced. Since 2006, Mr. Geng has been appointed as a director of Guangzhou Renhe. Mr. Geng graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law in 1987.

Ms. CHAN Rebecca (陳慧瑩), aged 42, is a vice president of the Company, responsible for the Company's capital market operations. Ms. Chan joined the Group in July, 2014. Ms. Chan has over 15 years of experience in corporate finance and capital markets transaction. Before joining the Group, Ms. Chan was trained as a solicitor in Hong Kong and subsequently switched to investment banking in 2005 and had been working for various investment banks since then, including UBS AG and J. P. Morgan Asia. Her last position before joining the Group was an Executive Director with J. P. Morgan Asia's Equity Capital Markets department. Ms. Chan holds a laws degree (LL. B) from University of Sheffield, United Kingdom. Ms. Chan is also a qualified solicitor of the HKSAR.

Mr. LI Xiang (李响), aged 36, is a vice president of the Company. Mr. Li joined the Group in August 2014 with over 9 years of experience in investment banking. Prior to joining the Group, Mr. Li was a Vice President with J. P. Morgan Asia's Equity Capital Markets department. He has a master degree from the University of Oxford.

Mr. WANG Dong (王棟), aged 45, was appointed as Vice President (Finance) of our Company. Mr. Wang joined the Renhe Group in August 2015 and has over 22 years of experience in the field of finance, investment and auditing. Mr. Wang is primarily responsible for overseeing the finance function of the Group. Prior to joining Renhe Group, he worked as project manager in Orient Group Financial Company and financial controller in Mid Tai Investment Company. Mr. Wang graduated from Harbin Institute of Technology with a master's degree in business administration. He is a member of the Chinese Institute of Certified Public Accountants. Mr. Wang was qualified as a senior accountant by Heilongjiang Province Government (黑龍江省人事廳).

Report of the Directors

The directors present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 December 2017.

Principal Activities

The Company acts as an investment holding company. The principal activities of its major subsidiaries as at 31 December 2017 are set out in note 15 to the financial statements.

Business Review

The business review, the analysis using financial key performance indicator on the Group and the indication of likely future development on the Company's business are set out on pages 4 to 11 of this annual report.

The Group has set up systems and procedures to ensure compliance with relevant laws and regulations which have a significant impact on the Group and in the conduct of its businesses, including internal control procedures, establishment of code of conduct and internal policies for prevention of bribery, risk management and whistleblowing, staff training, regular review of sufficiency and effectiveness of its systems and procedures, timely communication to relevant departments and staff upon enactment of, or changes in, relevant laws and regulations, and regular reminders of compliance.

Environmental Policies and Performance

The Group is committed to environmental sustainability. Its sustainability policy underscores environmental protection in business activities, management and operation practices, intending to minimize their impact on the environment and integrate sustainable practices in its supply chain as far as practicable.

The Group continues its environmentally-conscious practices including operating a greener workplace, reducing its carbon footprint, optimizing its energy use, reducing its waste generation, conserving resources and maintaining indoor environmental quality.

Relationships with Stakeholders

The Group recognizes the critical roles its employees, customers, suppliers, business partners and community play in its sustainability practices.

The Group's employees are one of its most important assets and it is committed to providing them with a fair and safe, healthy and happy work environment that is conducive to personal growth and career development. The Group has in place work-life balance and continuing education programs.

The Group's customers hold the key to success of its sustainable journey. The Group strives for excellence in service across its business activities and implement reasonable measures to guard the safety of its customers under relevant laws and regulations.

Stakeholders in the Group's supply chain — suppliers and vendors — are crucial collaborators. The Group is committed to sharing its core values in pursuit of business integrity, service excellence, and long-term mutually beneficial relationships.

Further information of the Group's sustainability and environmental policies and performance and relationships with stakeholders can be found in the Environmental, Social and Governance Report in this report.

Potential Risk Factors

The Group's financial performance, operations and prospects for growth may be affected by risks and uncertainties, both direct and indirect. Key risk factors are set out below but they are by no means exhaustive or comprehensive and there may be other additional risks which are not yet known to the Group or which may not be significant now but may turn out to be significant in the future:

Competition

The agricultural industry, and particularly the wholesaling sector, is highly competitive in China. We face competition from national and regional operators of wholesale markets, and forms of internet business in the areas in which we currently operate. All of these markets owned by third parties compete with our markets. As such, we cannot ensure to retain our customers, given the intense competition in the agricultural wholesaling industry in China, which may result in a loss of market share as well as a decrease in profitability. Consequently, there may be material adverse effects on our financial performance.

Government Policies, Regulations and Approvals

The major businesses of our Company are subject to extensive legal compliance, grant of licenses or concessions and their respective requirements, necessary government approvals, as well as safety, hygiene and environmental regulations. Any breaches, incidents, or failure to receive licences, concessions or approvals from relevant governments may cause suspensions of operations. Besides, operations of agricultural wholesaling markets are subject to a wide variety of laws and regulations and policies including those of healthcare, hygiene, taxation, environmental, safety, fire, food preparation, building and security etc. Further increases in wages level in China could also cause higher costs of operations.

Exposure to Exchange Rates

Presently, most of the Group's business transactions, assets and liabilities are denominated in RMB and settled in RMB. The Group's exposure to currency risk is minimal as the Group's assets and liabilities as at 31 December 2017 were denominated in the respective Group companies' functional currencies. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Major Customers and Suppliers

The information in respect of the Groupˇs sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total Sales	Purchases
The largest customer	2%	
Five largest customers in aggregate	5%	
The largest supplier		36%
Five largest suppliers in aggregate		61%

None of the directors, their respective associates or, so far as the directors are aware, any shareholder who owns more than 5% of the issued share capital of the Company has any interest in any of the said top five customers and suppliers of the Group for the year.

Financial Statements

The loss of the Group for the year ended 31 December 2017 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 55 to 123.

Transfer to Reserves

Loss attributable to equity shareholders of the Company, before dividends, of RMB127,050,000 (2016: loss of RMB14,583,909,000) have been transferred to reserves. Other movements in reserves are set out in the Group's consolidated statement of changes in equity for the year ended 31 December 2017.

Distributable Reserves

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the provisions of Cayman Companies Law, amounted to approximately RMB10,505,117,000 (as at 31 December 2016: RMB10,864,651,000).

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB Nil (2016: Nil).

Property and Equipment

Details of the changes in property and equipment of the Group are set out in note 12 to the financial statements.

Share Capital

Details of the changes in the Group's share capital during the year are set out in notes 24(c) to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Directors

The directors during the financial year were:

Chairman

Dai Yongge

Executive directors

Dai Yongge
Wang Hongfang
Dai Bin

Non-executive directors

Hawken Xiu Li
Jiang Mei
Zhang Xingmei
Zhang Dabin
Wang Chunrong

Independent non-executive directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu
Leung Chung Ki
Tang Hon Man

Report of the Directors

Biographical Details of the Directors

The biographical details of the current directors are set out on page 12 to page 17 of this annual report.

Directors' Service Contracts and Rotation

The executive directors are engaged on a service contract for a term of three years. Each service contract will continue thereafter until terminated by not less than one month's notice in writing served by either party. Most of the non-executive and independent non-executive directors have been appointed to hold the office for a term of one year and thereafter continue for further successive periods of one year with maximum period of three years for further re-election at Annual General Meeting ("AGM"). In addition, the appointment of each of directors is subject to retirement by rotation in accordance with the Company's Articles of Association.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and considers all the independent non-executive directors to be independent.

In accordance with the provisions of the Company's Articles of Association, Mr. Wang Hongfang, Mr. Dai Bin, Ms. Zhang Xingmei, Mr. Wang Shengli, Mr. Wang Yifu will retire from the Board at the forthcoming AGM but, being eligible, will offer themselves for re-election.

Other than disclosed above, none of the directors has entered or has proposed to enter into any service contract with the Company or any of its subsidiaries which is not expiring or determinable by the employing company within one year without payment of compensation other than statutory compensation.

Directors' Emoluments

Details of directors' emoluments on a named basis are set out in note 8 to financial statements. The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' responsibilities, abilities and performance, the Company's operations, as well as remuneration benchmark in the prevailing market conditions.

No Director has waived or has agreed to waive any emoluments during the year ended 31 December 2017.

The emolument policy of the Company is set out in the Corporate Governance Report on pages 34 to 44 of this annual report.

Management Contracts

No contracts for the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended 31 December 2017.

Permitted Indemnity Provision

Pursuant to the articles of association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favor, or in which he is acquitted.

Equity-Linked Agreements

Other than the Share Option Scheme as disclosed in this report, no equity-linked agreements were entered into by the Company during the year ended 31 December 2017 or subsisted at the end of the year.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2017, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company as required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules were as follows:

(a) Long/short positions in shares/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	153,900,000	0.35%
	Interest in controlled corporations	L *(note 2)*	16,146,900,132	36.73%
	Interest of spouse	L *(note 3)*	12,243,902,439	27.85%
	Interest in a controlled corporation	S	66,556,293	0.15%
Mr. Wang Hongfang	Beneficial owner	L	28,050,000	0.06%
	Interest in a controlled corporation	L *(note 4)*	7,575,000	0.02%
Ms. Zhang Xingmei	Interest in a controlled corporation	L *(note 5)*	12,243,902,439	27.85%
	Interest of spouse	L *(note 6)*	16,300,800,132	37.08%
	Interest of spouse	S	66,556,293	0.15%
Mr. Zhang Dabin	Beneficial owner	L	3,000,000	0.00%
	Interest in a controlled corporation	L *(note 7)*	13,100,000	0.03%
Ms. Wang Chunrong	Interest in a controlled corporation	L *(note 8)*	33,600,000	0.07%

(b) Long positions in shares of associated corporations of the Company

Name of director	Capacity	Name of associated corporation	Number of ordinary shares	Percentage of the issued share capital of the associated corporation
Mr. Dai Yongge	Beneficial owner	Shining Hill Investments Limited	1	100.00%
	Interest in a controlled corporation	Super Brilliant Investments Limited	1	100.00%
Ms. Zhang Xingmei	Beneficial owner	Win Spread Limited	1	100.00%
	Interest in a controlled corporation	Dili Group Holdings Company Limited	1	100.00%
	Interest in a controlled corporation	Shouguang Dili Agri-Products Group Company Limited	1,672,118 *(note 9)*	69.74%
	Interest in a controlled corporation	New Amuse Limited	1	100.00%

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 16,146,900,132 shares of the Company deemed to be interested by Mr. Dai Yongge, 122,400,000 shares are held by Gloss Season Limited, which is held as to 100% by Mr. Dai Yongge; 15,383,738,082 shares are held by Super Brilliant Investments Limited ("Super Brilliant"). As 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, he is deemed to be interested in the Shares held by Super Brilliant; 640,762,050 shares are held by Wealthy Aim Holdings Limited ("Wealthy Aim"). As 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, he is deemed to be interested in the Shares held by Wealthy Aim.

(3) Mr. Dai Yongge is deemed to be interested in the shares held by his spouse, Ms. Zhang Xingmei.

(4) These shares of the Company are held by Swift Fast Limited, which is wholly-owned by Mr. Wang Hongfang.

(5) 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 69.74% of the issued 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"). New Amuse in turn holds 12,243,902,439 Shares in our Company. Accordingly, each of Ms. Zhang Xingmei, Win Spread, Dili Group and Shougang Dili is deemed to be interested in the 12,243,902,439 Shares held by New Amuse.

(6) Ms. Zhang Xingmei is deemed to be interested in the shares held by her spouse, Mr. Dai Yongge.

(7) These shares of the Company are held by United Magic Limited, which is wholly-owned by Mr. Zhang Dabin.

(8) These shares of the Company are held by Wonder Future Limited, which is wholly-owned by Ms. Wang Chunrong.

(9) A total of 1,672,118 shares consist of both ordinary shares and class A preference shares with the same voting rights.

Save as disclosed above, none of the directors or chief executives of the Company or their associates had, as at 31 December 2017, any other 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).

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2017, the interests or short positions of the substantial shareholders (other than the directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued shares/ Nature of interest *(note 1)*	Approximate percentage of interest in the Company
Super Brilliant Investments Limited	Beneficial owner	15,383,738,082 (L)	34.99%
	Beneficial owner	66,556,293 (S)	0.15%
Shining Hill Investments Limited *(note 2)*	Interest in a controlled corporation	15,383,738,082 (L)	34.99%
	Interest in a controlled corporation	66,556,293 (S)	0.15%
New Amuse Limited	Beneficial owner	12,243,902,439 (L)	27.85%
Shouguang Dili Agri-Products Group Company Limited	Interest in a controlled corporation	12,243,902,439 (L)	27.85%
Dili Group Holdings Company Limited	Interest in a controlled corporation	12,243,902,439 (L)	27.85%
Win Spread Limited	Interest in a controlled corporation	12,243,902,439 (L)	27.85%

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 by Super Brilliant for the purposes of the SFO.

Save as disclosed above and so far as the Directors are aware of, as at 31 December 2017, there was no other person, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

Share Option Scheme

The Company conditionally adopted its share option scheme (the "Share Option Scheme") on 25 August 2008. The purpose of the Share Option Scheme is to provide an incentive for Qualified Participants (defined below) to work with commitment towards enhancing the value of the Company and the Shares for the benefit of our Shareholders and to retain and attract calibres and working partners whose contribution are or may be beneficial to the growth and development of our Group).

Under the Share Option Scheme, the Board may offer to grant an option to any executive director, or employee (whether full time or part time) of our Company, any member of our Group or any entity in which any member of our Group holds an equity interest ("Invested Entity"); (ii) any non-executive director (including independent non-executive directors) of our Company, any member of our Group or any Invested Entity; ((i) and (ii) collectively "Eligible Employees") and (iii) any such other persons (including but not limited to supplier, customer, consultant, adviser, contractor, business partner or service provider of our Group or any Invested Entity) who in the absolute discretion of the Board has contributed or will contribute to our Group (collectively "Qualified Participants").

The maximum number of shares available for issue under the Share Option Scheme as at 31 December 2017 is as follows:

	As at 31 December 2017
Total Shares in issue	43,966,100,439
Maximum no. of Shares available for issue under Share Option Scheme	2,000,000,000
Maximum no. of Shares available for issue under the Share Option Scheme as a % of Shares in issue	4.55%

As at 31 December 2017, no Options have been granted, exercised, lapsed or cancelled under the Share Option Scheme.

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his options during any 12 month period exceeding 1% of the total Shares then in issue.

An offer of the grant of an option shall be made to a Qualified Participant by letter ("Offer Letter") in such form as the Board may in its sole and absolute discretion from time to time determine, requiring the Qualified Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (including any operational rules made under the Share Option Scheme). The offer shall remain open for acceptance for a period of five business days from the date on which it is made PROVIDED THAT no such offer shall be open for acceptance after the expiry of the scheme period or after the termination of the Share Option Scheme. Subject to the terms of the Offer Letter, there shall be no general performance target for the vesting or exercise of options.

An option shall be deemed to have been granted to and accepted by the Qualified Participant (the "Grantee") and to have taken effect after the duplicate letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of the Company of HKD1.00 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance of an offer.

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "Subscription Price") shall be a price determined by the Board in its sole and absolute discretion but in any event shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the offer date;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and

(iii) the nominal value of the Shares.

The Share Option Scheme shall be valid and effective for 10 years from 22 October 2008, being the date of commencement of dealing in the Company's shares on the Stock Exchange. As such, the remaining life of the Share Option Scheme is around 8 months.

Directors' Interest in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Continuing Connected Transactions

Details of the continuing connected transactions during the year ended 31 December 2017 are as follows:

The Framework Lease Agreement

For the on-going operation of the markets of the Group in the PRC, New Amuse Limited (the "Vendor"), as lessor, entered into the Framework Lease Agreement with Yield Smart Limited (the "Target Company"), as lessee, on 9 June 2015, pursuant to which the Target Company will upon completion of the acquisition of the entire issued share capital of the Target Company, procure the PRC operating companies to enter into the leasing agreements with the PRC Vendors in respect of the leasing of the relevant properties (including land and buildings) which are all held by the PRC vendors, necessary for the on-going operation of the markets of the Group in the relevant locality.

Particulars of the Framework Lease Agreement are set out below:

Transaction Date:	9 June 2015
Parties:	Vendor as lessor Target Company as lessee
Premises:	Certain land and properties in each of the six cities in the PRC namely Harbin, Qiqihar, Shenyang, Guiyang, Mudanjiang and Shouguang
Permitted Usage:	For operation of Markets for wholesaling and retailing of agricultural produce
Term:	Fixed term of 20 years commencing from the Completion Date and shall terminate on 31 December 2035, subject to the option to renew as described below During the Term, the Vendor (as lessor) and the Target Company (as lessee) will procure the New PRC Operating Companies to enter into the Leasing Agreements with the PRC Vendors in respect of the leasing of the premises stipulated above.
Annual Rent:	RMB100 million per year commencing from the Completion Date to 31 December 2018, exclusive of operating charges, property tax and other outgoings For the annual rent of the rest of the term, please refer to the announcement and circular of the Company dated 9 June 2015 and 29 June 2015, respectively.
Option to Renew:	At the discretion of the Target Company or the relevant entity of the Target Group (being part of the Enlarged Group post Completion), the agreement can be renewed with RMB134.01 million as the base rent with 5% increments for every three years for the renewed term.

As the Vendor is a wholly-owned subsidiary of Shouguang Dili Agri-Products Group Company Limited, which is ultimately held as to 69.74% by Ms. Zhang Xingmei, a non-executive Director and the spouse of Mr. Dai Yongge, an executive Director. Accordingly, the Vendor is a connected person of the Company under the Listing Rules and the Acquisition also constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules.

Under Chapter 14A of the Listing Rules, the transactions mentioned above constituted continuing connected transactions of the Company and require disclosures in the Company's annual report. The price and terms of such transactions have been determined in accordance with pricing policies and guidelines set out in relevant announcements.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive Directors who have confirmed that the transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with relevant agreements on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The auditors of the Company have performed certain pre-determined procedures and reported their findings regarding the continuing connected transactions entered into by the Group set out above for the year ended 31 December 2017 and state that:

(1) nothing has come to their attention that causes them to believe that the above continuing connected transactions have not been approved by the Board;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the above continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) nothing has come to their attention that causes them to believe that the above continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the above continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the circular dated 28 June 2015 made by the Company in respect of the above continuing connected transactions.

Save as disclosed in the annual report, the Board confirmed that none of the related party transactions set out in note 29(b) to the financial statements constituted non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. During the Reporting Period, save as disclosed above, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this annual report pursuant to the Listing Rules.

The Group confirms that it will comply or continue to comply with the relevant provisions of Chapter 14A of the Listing Rules in relation to the continuing connected transactions of the Company.

Report of the Directors

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 124 of this annual report.

Retirement Schemes

The Group is required to make contributions to the Schemes at the rate ranges from 18% to 20% of the eligible employee's salaries. Particulars of these retirement schemes are set out in note 25 to the financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

Audit Committee

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "Code"). The primary duty of the audit committee is to review and supervise the financial reporting process, risk management and internal control systems of the Group. The audit committee is comprised of three independent non-executive directors. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2017.

Corporate Governance

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the year covered by this annual report, in compliance with the Code on Corporate Governance Practices saved as disclosed in the corporate governance report contained in this annual report.

Confirmations of Independence

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

Auditors

The consolidated financial statements of the Group have been audited by KPMG, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM.

By order of the Board
Dai Yongge
Chairman

Hong Kong, 28 March 2018

Corporate Governance Report

Introduction

The Company recognizes the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve our image with effective corporate governance procedures.

The Company has complied with the code provisions in the Code throughout the year ended 31 December 2017, save and except for the following:

Code Provision A.2.7

The Chairman of the Company did not hold any formal meeting with the independent non-executive directors and other non-executive directors due to the busy schedule of the Chairman and the non-executive directors. The Chairman may communicate with the independent non-executive directors and other non-executive directors on a one-to-one or group basic to understand their concerns and to discuss pertinent issues.

Code Provision A.5.2

During the year ended 31 December 2017, the Nomination Committee held no meeting, given the hectic schedule of its members. The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Code Provision E.1.2

Under this code provision, the chairman of the board should attend the annual general meeting ("AGM"). The Chairman of the Board was unable to attend the AGM of the Company held on 22 June 2017 due to other business commitments. In absence of the Chairman, Mr. Wang Hongfang, an executive director of the Company, acted as the Chairman of the AGM. The Board will finalise and inform the date of the AGM as earliest as possible to make sure that the directors would attend the AGM of the Company in the future.

Save as disclosed above, there has been no deviation from the code provisions of the Code by the Company for the year ended 31 December 2017.

Compliance With The Model Code For Securities Transactions By Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the guidelines for the directors' dealings in the securities of the Company. Upon specific enquiries of all the directors, each of them confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2017 in relation to their securities dealings, if any.

Directors' Training

All directors have been given relevant guideline materials regarding the duties and responsibilities of being as a director, the relevant laws and regulations applicable to the directors, duty of disclosure of interests and business of the Group. Such induction materials will also be provided to newly appointed directors shortly upon their appointment as directors.

During the year, the Company continuously updated the directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All directors were encouraged to participate in continuous professional development by attending seminars/in-house briefing/reading materials on different topics to develop and refresh their knowledge and skills.

The Board

The Board is responsible for the leadership and control of the Company and overseeing the Group's business, strategic decisions and performances. The management is delegated with the authority and responsibility by the Board for the management of the Group. In addition, the Board has also established various Board committees on 25 August 2008 and has delegated various responsibilities to the Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (together, the "Board Committees"). All the Board Committees perform their distinct roles in accordance with their respective terms of reference. Further details of these committees are set out hereunder.

Most of the non-executive directors and independent non-executive directors are appointed for a term of one year, which are subject to retirement in accordance with the articles of association of the Company (the "Articles"). According to the Articles, at each AGM, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at an AGM at least once every three years.

The Company has received from each of the independent non-executive directors a confirmation of his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Composition

The Board currently consists of 13 Directors as follows:

Executive Directors

Dai Yongge *(Chairman)*
Wang Hongfang *(Chief Executive Officer)*
Dai Bin

Non-executive Directors

Hawken Xiu Li
Jiang Mei
Zhang Xingmei
Zhang Dabin
Wang Chunrong

Independent Non-executive Directors

Fan Ren-Da, Anthony
Wang Shengli
Wang Yifu
Leung Chung Ki
Tang Hon Man

All Directors have appropriate professional qualification or substantive experience and industry knowledge. The Board as a whole has achieved an appropriate balance of skills and experience. The Directors' biographies are set out under the section headed "Directors and Senior Management Profile" of this Annual Report.

Mr. Dai Yongge is a brother of Mrs. Hawken Xiu Li, the spouse of Ms. Zhang Xingmei and father of Mr. Dai Bin, all of them being the directors of the Company. Save as disclosed, there is no other relationship among members of the Board.

Chairman and Chief Executive Officer ("CEO")

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group.

Mr. Dai Yongge is the Chairman of the Company. With extensive experience in the industry, Mr. Dai is responsible for formulating the overall development strategies and business plan of our Group and is instrumental to the Company's growth and business expansion since its establishment. Mr. Wang Hongfang is the Chief Executive Officer of the Company and is responsible for overseeing the management and strategic development of our Group.

During the year ended 31 December 2017, the Board held four meetings and attendance of each director at the meetings and AGM is set out below:

Name of Director	No. of Board meetings held during the Director's term of office in the relevant period	No. of Board meetings attended	Attendance rate of Board meetings	No. of GMs attended/ No. of AGM & EGM held
Executive Directors				
Dai Yongge	4	3	75%	0/1
Wang Hongfang	4	4	100%	1/1
Dai Bin	4	1	25%	0/1
Non-executive Directors				
Hawken Xiu Li	4	0	0%	0/1
Jiang Mei	4	0	0%	0/1
Zhang Xingmei	4	0	0%	0/1
Zhang Dabin	4	0	0%	0/1
Wang Chunrong	4	1	25%	0/1
Independent Non-executive Directors				
Fan Ren-Da, Anthony	4	4	100%	1/1
Wang Shengli	4	4	100%	0/1
Wang Yifu	4	4	100%	0/1
Leung Chung Ki	4	4	100%	0/1
Tang Hon Man	4	3	75%	0/1

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

(a) to develop, review and implement the Company's policy and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and Management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report; and

(f) to develop, review and monitor the implementation of the shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance shareholders' relationship with the Company.

During the year ended 31 December 2017, the above corporate governance function has been performed and executed by the Board and the Board has reviewed the Company's compliance with the Code.

Nomination Committee

The Company established a Nomination Committee on 25 August 2008 with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and diversity of the Board, assessing the independence of independent non-executive directors and providing recommendations to the Board on matters relating to the appointment of directors. The Nomination Committee of the Company consists of Mr. Dai Yongge, an executive director, Mr. Wang Shengli and Mr. Wang Yifu, of whom Mr. Wang Shengli and Mr. Wang Yifu are independent non-executive directors and is chaired by Mr. Wang Shengli.

Below is the summary of the Board Diversity Policy:

The Company believes that having a diverse Board can enhance the quality of its performance. In this regard, the Company has developed a diversity policy for the Board, in terms of skills, experience, knowledge, expertise, culture, ethnicity, length of service, independence, age and gender. In addition, the Nomination Committee will hold discussions towards achieving the goal of Board diversification and provide recommendations to the Board for adoption.

During the year ended 31 December 2017, the Nomination Committee held no meeting, given the hectic schedules of its members. The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Remuneration Committee

The Company established a Remuneration Committee on 25 August 2008 with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee include providing recommendations to the Board on the Company's structure and policy for remuneration of directors and senior management, determining the remuneration packages of individual executive directors and senior management, reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the Share Option Scheme. The Remuneration Committee of the Company consists of Mr. Dai Yongge, an executive director, Mr. Wang Shengli and Mr. Wang Yifu, of whom Mr. Wang Shengli and Mr. Wang Yifu are independent non-executive directors and is chaired by Mr. Wang Shengli.

During the year ended 31 December 2017, the Remuneration Committee held no meeting, given the hectic schedules of its members.

Emolument Policy

The emolument policy of the employees of the Group is set up by the executive directors of the Company on the basis of their merit, qualifications and competence.

The emolument of the directors of the Company is determined by the board of directors of the Company after recommendation from the Remuneration Committee, having regard to the responsibilities of the directors, the Company's operating results, individual performance and comparable market statistics.

Details of directors emolument during the year ended 31 December 2017 are set out in note 8 to the consolidated financial statements.

Audit Committee

The Company established an Audit Committee pursuant to a resolution of the directors passed on 25 August 2008 with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The primary duty of the Audit Committee is to review and supervise the financial reporting process, risk management and internal control systems of the Group. The Audit Committee of the Company consists of Mr. Fan Ren-Da, Anthony, Mr. Wang Shengli and Mr. Wang Yifu (being independent non-executive directors) and is chaired by Mr. Fan Ren-Da, Anthony. In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee has possessed the appropriate professional and accounting qualifications.

During the year ended 31 December 2017, there were two meetings held by the Audit Committee which the members of the audit committee discussed with KPMG about the arrangements of the Company's annual audit work and reviewed the annual results and interim results of the Group, as well as the relevant financial statements and reports and significant financial reporting judgments contained therein, as well as the internal control system and the Group's financial and accounting policies and practices. The attendance of the members at the Audit Committee meetings is presented hereinafter:

Name of Audit Committee Member	**No. of meetings held during the year**	**No. of meetings attended**	**Attendance rate**
Fan Ren-Da, Anthony *(Chairman)*	2	2	100%
Wang Shengli	2	2	100%
Wang Yifu	2	2	100%

Auditors' Remuneration

During the year ended 31 December 2017, the remunerations paid or payable to KPMG in respect of its audit services and non-audit services are RMB3,800,000 and RMB3,239,000 respectively. The non-audit services mainly included the independent review of the interim results of the Group for the six months ended 30 June 2017 and special project.

Accountability and Audit

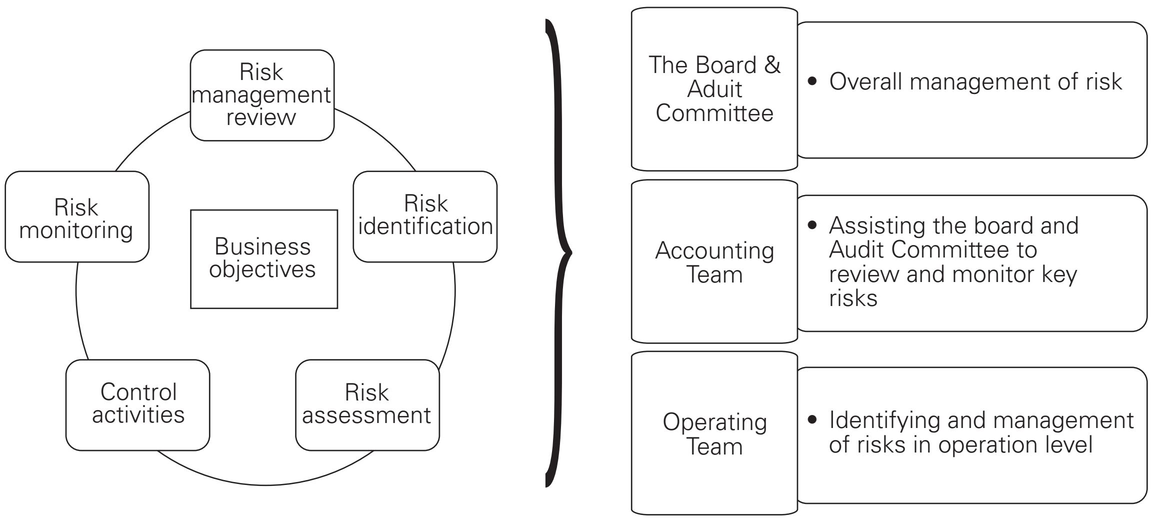
The directors acknowledge their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year under review. The directors consider that the financial statements have been prepared in conformity with all appropriate accounting standards and requirements and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and the management with an appropriate enquiries, were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going concern basis.

Risk Management and Internal Control

The Group established and maintained appropriate and effective risk management and internal control systems during the year under review. While the management of the Group is responsible for implementing and maintaining sound risk management and internal control system that safeguard the Group's assets and stakeholders' interest in aspects including operation, financial and compliance. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk management process

The Group has established risk management manual to formulate the risk management process and the management is committed to fostering a risk aware and control conscious environment. The staff in all levels within the Group are also required to take the relevant responsibility on the risk management process. The structure and procedures for the risk management are as follows:



Risk identification: Both internal and external factors including economic, political, social, technology and environmental factors, laws and regulations, business objectives and stakeholders' expectation would be considered

Risk assessment: The risk identified would be assessed and rated based on the likelihood and impact to the achievement of the Group's objectives

Control activities: The internal control procedures have been designed and implemented to mitigate the risks

Risk monitoring: Risk register has been maintained and updated regularly to monitor risks on an ongoing basis

Risk management review: The Board and Audit Committee would perform review on any change of significant risks of the Group

Internal audit function

During the year ended 31 December 2017, a review of the effectiveness of the Group's risk management and internal control system which covers the aspects of the effectiveness of the Company's risk management and internal control system and management procedure, was conducted by our internal control department. Such review is conducted on an annual basis. The Board considered the risk management and internal control system of the Company to be effective and adequate.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Company Secretary

The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board on governance matters. For the year ended 31 December 2017, the Company Secretary has taken no less than 15 hours of relevant professional training.

Investor Relations, Communications with Shareholders and Shareholders' Rights

Objective

The management of the Company believes that effective and proper investor relations play a vital role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company is committed to establish strategic communication channels to ensure the access of reliable corporate information by the shareholders, financial communities as well as the public.

Communications with Shareholders

The directors consider communication with the Shareholders are mainly in the following ways: (i) the holding of AGM and Extraordinary General Meeting ("EGM") which may be convened for specific purpose and can provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and (iii) the upkeeping of the latest information of the Company's website at http://www.renhebusiness.com. Shareholders and investors are welcome to visit our website.

Shareholders' Rights

(i) Procedures by which Shareholders can Convene an EGM and Procedures for Putting Forward Proposals at the Meetings

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(ii) Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders may also make enquiries in writing to the principal place of business of the Company in Hong Kong.

Information Disclosure

Currently, the Company discloses information in compliance with the securities regulations of the Stock Exchange, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. Our primary focus is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public, to make rational decisions that should result in the Company's securities trading at fair value over the long term.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Mailing Address:	Suites 1701–1703, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Email:	ir@renhe.com.hk

Changes in Constitutional Documents

During the year ended 31 December 2017, the Company did not make any significant changes to its constitutional documents. The latest version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

A. Environment

Environmental protection is one of the basic for sustainable development of enterprises. We attach great importance to the protection of the ecological environment. We commit ourselves to energy-saving and emission reduction in all aspects of operation and various business processes, so as to strive to achieve the sustainable corporate development on the environmental friendly basis.

All the operating facilities of the Company are designed and constructed in accordance with the national energy-saving building standards. Equipment used for our business operation are procured in accordance with national energy-saving requirements, and energy consumption of all equipment are in line with national energy-saving standards. For instance, electric vehicles are used inside the market.

1. Emissions

Our main business is the operation of agriculture products wholesale markets, as such, there is no industrial exhaust gas, waste water or solid waste emissions.

(1) Waste: Perished fruits and vegetables are the only main waste resulted from the operations of our agriculture wholesale markets, and they can be naturally degraded and are recyclable. All our markets entrust professional companies to carry out regular disposal of wastes in the markets to keep the market clean and tidy.

(2) Waste water: Waste water in the agricultural trading market is mainly from domestic water use and a small amount of operational water use. There is no bulk waste water emission or disposal.

(3) Exhaust gases: There is mainly no emissions of a large amount of greenhouse gases or other exhaust gases.

2. Use of Resources

All the agricultural products wholesale markets were designed and planned in accordance with the energy-saving and water-saving requirements during the project approval and construction phases. During the daily operation, corresponding energy-saving and water management systems have been developed and implemented to improve resource efficiency and reduce resource consumption and environmental costs.

(1) Electricity: During the year ended 31 December 2017, the Group's electricity consumption is as follows:

	Quantity (kWh)
PRC	53,308,087
Hong Kong	45,294

Our major electricity consumptions are for the lighting in the wholesale markets and for the general office use. All our wholesale markets use LED energy-saving lighting to reduce electricity consumption. The storage facilities in the markets are also in line with the national energy-saving standards. The planning, design and construction of storage facilities including cool and temperature-controlled storage have reached the domestic advanced level with good energy-saving performance. We conduct power-saving campaigns among vendors on a regular basis to encourage vendors in the markets to save electricity.

(2) Water: During the year ended 31 December 2017, the Group's water consumption is as follows:

	Cubic metres
Running water consumption	808,677

the main operational use of water in the wholesale markets are for cleaning purposes with a small proportion of domestic water use. Most of the floor surface in the wholesale markets have been paved with concrete, plus the advanced dustproof steel structure ceiling, leading to efficient operational water saving. We also organized water-saving campaigns in various markets.

(3) Others: The Group fully promotes electronic settlement system in the markets step by step, largely reducing paper consumption. In the meantime, we also promote digitalized office operation and implemented environmental friendly measures including energy-saving and paper-recycling policies in our offices.

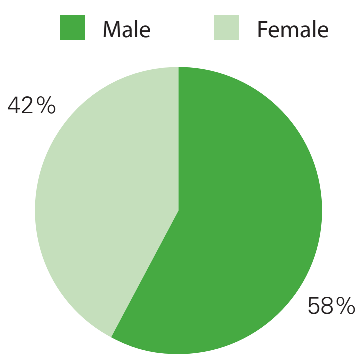
B. Society

1. Employment and Labor Practices

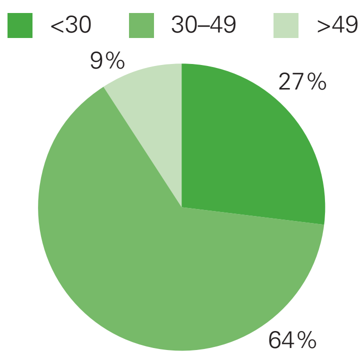
As of 31 December 2017, we have 2,009 employees, and all the employments are all in line with the employment and labor laws and regulations. 99% of the employees are located in mainland China, among which the proportions of male and female workers are 58% and 42% respectively; and the proportions of employees aged under 30, aged 30 to 49 and aged above 49 are 27%, 64% and 9% respectively.

We recognize the diversity of employees' background, and do not have any discrimination against any potential employee on gender, age, family, marriage status of disability during recruitment.

Gender distribution



Age distribution



2. Employees' Health and Workplace Safety

We fix our office hours in strict accordance with the relevant employment laws and regulations in both Hong Kong and the PRC. We also provide medical examinations for employees every year while the Company will contribute to various social and medical insurances and provident fund for the staff according to national standards and provide holiday allowances and bonuses for the staff.

Our business involves no high-risk operations, and the work environment is free from dust, chemical or physical radiation or other pollutions.

3. Employee Development and Training

We recognize the value of providing personal and career development opportunities for employees, thereby increasing the attractiveness of jobs and enhancing job satisfaction. As a result, a wide range of trainings, including new employee induction training, managerial training, business training and professional training, are provided for management positions and general staff.

4. Guidelines for Employment of Labor

We, in full compliance with all labor regulations in all places of employment, strictly prohibit the employment of child labor and ensures that it contributes to social insurance and provident fund for the employees in accordance with the requirements of the relevant laws and regulations. We recruit staff according to the job requirements and strictly prohibits sexual discrimination.

5. Suppliers and Supply Chain Management

Procurement of most products and services used in our business operation are carried out through tender, strictly following competitive bidding process and implementing a set of supplier management and assessment measures to ensure the quality of products and services, as well as the professionalism during the fulfilment process.

As our business involves primary agricultural products, there is no risk of industrial pollution, and the Company conducted regular daily waste disposal for the markets. Therefore, there is no relevant environmental risks.

Products involved in our operation are related to the daily life of the surrounding residents and the social function is relatively prominent, thus are free from big social risk. We receive strong support from the local government for operation of each markets.

6. Product Responsibility

Our main business is the operation of agricultural products wholesale markets, and suppliers in the markets are mainly engaged in vegetables, fruits and other primary agricultural products wholesale. So the first responsible person for all primary agricultural products are individual business owners. The agricultural wholesale market has a great impact on the daily life of residents in the corresponding cities, and is an important part of the national "vegetable basket" project. Therefore, we set up agricultural products testing centers in all our wholesale markets to conduct sampling inspection for all kinds of primary agricultural products daily on site to eliminate defective products such as those with pesticide residues, and to ensure the safety of the "agricultural products".

7. Anti-Corruption

We strictly abide by all Hong Kong and China regulations on anti-corruption. We strictly prohibit any forms of bribery or corruption in the course of the its operation, and reminds the employees that they must avoid possible conflicts of interest and timely report to the company for related matters.

We conduct systematic induction trainings for new recruits and includes a non-competitive agreement and a confidentiality agreement in the labor contract to regulate employee behavior and avoid related risks.

8. Community Investment

We organize a number of cultural and sports activities, including: monthly birthday celebrations for related employees, regular football and basketball games for employees, and regular football matches watching activities. A great variety of activities greatly enhanced the cohesiveness between employees and the Group.

Independent Auditor's Report

Independent auditor's report to the shareholders
of Renhe Commercial Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Renhe Commercial Holdings Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 55 to 123, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, 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 year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of impairment of goodwill

Refer to note 14 to the consolidated financial statements and the accounting policies on page 66.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2017, goodwill, which arose from acquisition of agriculture wholesale markets business in prior years, amounted to RMB386,380,000 and accounted for approximately 4.4% of the Group's total assets at that date. The agriculture wholesale markets business is identified to be a cash-generating unit ("CGU"). Management compares the carrying amount of the CGU with its recoverable amount, which is determined by assessing the value-in-use based on discounted cash flow forecasts. The preparation of discounted cash flow forecasts involves the exercise of significant management judgment, in particular in forecasting revenue growth and operating profit and in determining appropriate discount rates. We identified assessment of impairment of goodwill as a key audit matter because management's assessment of the value of the future cash flows expected to be derived from agriculture wholesale markets business involves certain critical judgments in respect of the assumptions made which are inherently uncertain and could be subject to the management bias.	Our audit procedures to assess impairment of goodwill included the following: • assessing the reliability of management's cash flow forecasting process by comparing the previous year's forecasts with the current year's results, discussing significant variances with management and considering the effect of such variances on the current year's forecasts; • evaluating management's valuation methodology with reference to the requirements of the prevailing accounting standards, in assessing the discount rates applied by comparison with the discount rates for similar companies in the same industry and in assessing other key assumptions adopted in the cash flow forecasts based on available market information and by comparison with other companies in the same industry; • obtaining management's sensitivity analysis and challenging the discount rates and other key assumptions to which the outcome of the impairment assessments was most sensitive, including forecasted revenue and forecasted profit margins, and considering if there was any indication of management bias in the selection of these assumptions; and • considering the disclosures in the consolidated financial statements in respect of the impairment assessments with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements

(Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is *Ng Kwok Keung*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
28 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Continuing operation			
Revenue	4(a)	988,112	1,001,765
Gross profit		988,112	1,001,765
Other income	5	93,495	127,409
Administrative expenses		(536,524)	(490,488)
Other operating expenses		(604,265)	(591,135)
Operating (loss)/profit from continuing operation		(59,182)	47,551
Finance income		28,490	7,124
Finance expenses		(2,394)	(26,126)
Net finance income/(expenses)	6(b)	26,096	(19,002)
(Loss)/profit from continuing operation before taxation	6	(33,086)	28,549
Income tax	7	(93,964)	(116,827)
Loss from continuing operation		(127,050)	(88,278)
Discontinued operation			
Loss from discontinued operation, net of tax	20	–	(14,513,350)
Loss for the year		(127,050)	(14,601,628)
Attributable to:			
Equity shareholders of the Company		(127,050)	(14,583,909)
Non-controlling interests		–	(17,719)
Loss for the year		(127,050)	(14,601,628)

The notes on pages 63 to 123 form part of these financial statements.

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	**2017** **RMB'000**	2016 RMB'000
Loss attributable to:			
Equity shareholders of the Company			
— Continuing operation		**(127,050)**	(88,278)
— Discontinued operation	*20*	**–**	(14,495,631)
		(127,050)	(14,583,909)
Non-controlling interests			
— Discontinued operation		**–**	(17,719)
Loss for the year		**(127,050)**	(14,601,628)
Basic and diluted loss per share (RMB cents)	*11*	**(0.29)**	(33.17)
From continuing operation		**(0.29)**	(0.20)
From discontinued operation		**–**	(32.97)

The notes on pages 63 to 123 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Loss for the year		**(127,050)**	(14,601,628)
Other comprehensive income for the year (after tax and reclassification adjustments):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations	*10*	**98,742**	(46,327)
Total comprehensive income for the year		**(28,308)**	(14,647,955)
Attributable to:			
Equity shareholders of the Company		**(28,308)**	(14,630,236)
Non-controlling interests		**–**	(17,719)
Total comprehensive income for the year		**(28,308)**	(14,647,955)
Total comprehensive income for the year arises from			
Continuing operation		**(28,308)**	61,098
Discontinued operation		**–**	(14,709,053)
Total comprehensive income for the year		**(28,308)**	(14,647,955)

The notes on pages 63 to 123 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2017
(Expressed in Renminbi)

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current assets			
Property and equipment	12	681,420	683,893
Intangible assets	13	5,709,390	6,034,550
Goodwill	14	386,380	386,380
Other assets	16	–	21,682
Total non-current assets		6,777,190	7,126,505
Current assets			
Inventories	17	44,432	46,538
Trade and other receivables	18	764,656	1,852,670
Cash at bank and on hand	19	1,222,118	1,464,956
Total current assets		2,031,206	3,364,164
Current liabilities			
Trade and other payables	21	401,502	1,969,737
Taxation	22(a)	41,585	50,262
Total current liabilities		443,087	2,019,999
Net current assets		1,588,119	1,344,165
Total assets less current liabilities		8,365,309	8,470,670

The notes on pages 63 to 123 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2017
(Expressed in Renminbi)

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current liabilities			
Deferred tax liabilities	*22(b)*	**1,424,400**	1,505,484
Receipt-in-advance	*23*	**4,031**	–
Total non-current liabilities		**1,428,431**	1,505,484
Net assets		**6,936,878**	6,965,186
Capital and reserves			
Share capital	*24(c)*	**366,604**	366,604
Reserves	*24(d)*	**6,570,274**	6,598,582
Total equity attributable to equity shareholders of the Company		**6,936,878**	6,965,186
Non-controlling interests		**–**	–
Total equity		**6,936,878**	6,965,186

Approved and authorised for issue by the board of directors on 28 March 2018.

Dai Yongge
Chairman

Wang Hongfang
Director

The notes on pages 63 to 123 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	Share capital RMB'000 24(c)	Share premium RMB'000 24(d)(i)	Capital redemption reserve RMB'000 24(d)(ii)	Capital surplus RMB'000 24(d)(iii)	Statutory reserve fund RMB'000 24(d)(iv)	Exchange reserves RMB'000 24(d)(v)	Merger reserves RMB'000 24(d)(vi)	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company										
Balance at 1 January 2016		366,604	13,862,305	7,508	129,488	638,656	(271,466)	128,704	6,733,623	21,595,422	38,810	21,634,232
Changes in equity for 2016												
Loss for the year		–	–	–	–	–	–	–	(14,583,909)	(14,583,909)	(17,719)	(14,601,628)
Other comprehensive income		–	–	–	–	–	(46,327)	–	–	(46,327)	–	(46,327)
Total comprehensive income		–	–	–	–	–	(46,327)	–	(14,583,909)	(14,630,236)	(17,719)	(14,647,955)
Disposal of discontinued operation		–	–	–	–	–	–	–	–	–	(21,091)	(21,091)
Transfer to reserve fund	24(d)(iv)	–	–	–	–	63,174	–	–	(63,174)	–	–	–
Balance at 31 December 2016		366,604	13,862,305	7,508	129,488	701,830	(317,793)	128,704	(7,913,460)	6,965,186	–	6,965,186

	Note	Share capital RMB'000 24(c)	Share premium RMB'000 24(d)(i)	Capital redemption reserve RMB'000 24(d)(ii)	Capital surplus RMB'000 24(d)(iii)	Statutory reserve fund RMB'000 24(d)(iv)	Exchange reserves RMB'000 24(d)(v)	Merger reserves RMB'000 24(d)(vi)	Accumulated losses RMB'000	Total RMB'000
		Attributable to equity shareholders and total equity of the Company								
Balance at 1 January 2017		366,604	13,862,305	7,508	129,488	701,830	(317,793)	128,704	(7,913,460)	6,965,186
Changes in equity for 2017										
Loss for the year		–	–	–	–	–	–	–	(127,050)	(127,050)
Other comprehensive income		–	–	–	–	–	98,742	–	–	98,742
Total comprehensive income		–	–	–	–	–	98,742	–	(127,050)	(28,308)
Transfer to reserve fund	24(d)(iv)	–	–	–	–	52,294	–	–	(52,294)	–
Balance at 31 December 2017		366,604	13,862,305	7,508	129,488	754,124	(219,051)	128,704	(8,092,804)	6,936,878

The notes on pages 63 to 123 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Loss for the year		**(127,050)**	(14,601,628)
Adjustments for:			
Depreciation	*6(c)/20(c)*	**46,752**	47,974
Amortisation	*6(c)*	**324,333**	324,333
Net finance (income)/expenses	*6(b)*	**(26,652)**	296,750
Net loss/(gain) on disposal of property and equipment		**3,501**	(1,115)
Net loss on disposal of subsidiaries	*5*	**21,629**	–
Net loss on disposal of discontinued operation	*20*	**–**	13,726,610
Change in fair value of investment properties		**–**	763,085
Income tax	*7*	**93,964**	(23,368)
Operating profit before changes in working capital		**336,477**	532,641
Decrease in bank deposits		**–**	59,673
Increase in trade receivables and other assets		**(19,673)**	(11,526)
Increase/(decrease) in trade and other payables		**1,875**	(59,215)
Decrease/(increase) in inventories		**2,172**	(19,543)
Cash generated from operating activities		**320,851**	502,030
Income tax refund		**–**	478
Income tax paid	*22(a)*	**(183,725)**	(198,830)
Net cash generated from operating activities		**137,126**	303,678

The notes on pages 63 to 123 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Investing activities			
Proceeds from disposal of a subsidiary, net of cash disposed of		**2,512**	–
Disposal of discontinued operation, net of cash disposed of		**–**	6,273,471
Net proceeds from disposal of investment properties		**–**	641
Net proceeds from disposal of property and equipment		**2,174**	1,415
Interest received		**26,016**	9,309
Purchase of property and equipment		**(80,689)**	(110,731)
Additions to investment properties		**–**	(52,334)
Payment for purchase of loans to third parties		**(835,910)**	(252,087)
Proceeds from repayment of loans to third parties		**150,464**	252,087
Prepayment of deposits for acquisition of projects		**–**	(773,000)
Proceeds from repayment of deposit for acquisition of a project		**400,000**	300,000
Increase in time deposits		**(75,000)**	(50,000)
Net cash (used in)/generated from investing activities		**(410,433)**	5,598,771
Financing activities			
Proceeds from new borrowings		**–**	1,144,476
Repayment of borrowings		**–**	(4,043,521)
Repayment of senior notes		**–**	(1,053,051)
Advances from a director	*29(b)*	**1,445,026**	1,838,340
Repayment to related parties	*29(b)*	**(1,487,800)**	(2,918,176)
Prepayment of interest expense to a related party		**–**	3,809
Prepayment of rental expenses to related parties		**–**	(45,273)
Interest paid		**–**	(343,587)
Net cash used in financing activities		**(42,774)**	(5,416,983)
Net (decrease)/increase in cash and cash equivalents		**(316,081)**	485,466
Cash and cash equivalents at 1 January		**1,414,956**	908,400
Effect of foreign exchange rate changes		**(1,757)**	21,090
Cash and cash equivalents at 31 December	*19*	**1,097,118**	1,414,956

The notes on pages 63 to 123 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi)

1 General information

Renhe Commercial Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 20 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together referred to as the "Group") are principally engaged in development, lease and management of shopping mall and operation of agriculture wholesale markets in the People's Republic of China (the "PRC"). On 27 July 2015, the Company has acquired the entire share capital of Yield Smart Limited, which indirectly holds 100% equity interest of seven subsidiaries which operate agriculture wholesale markets in PRC (the "Acquisition"). During the year 2016, the Company entered into a sale agreement to dispose of its shopping mall segment (the "Disposal"). The Disposal was completed on 8 July 2016 and the entire consideration of RMB6.5 billion had been received as at 31 December 2016. After the completion of the Disposal, the Group is principally engaged in operation of agriculture wholesale markets in the PRC.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations issued by the International Accounting Standards Board (IASB) and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Group. The measurement basis used in the preparation of the financial statements is the historical cost basis.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see Note 2(t)).

2 Significant accounting policies *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The preparation of financial statements in conformity with IFRSs requires management to make judgments, 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 judgments about carrying values of assets and liabilities that are not readily apparent from other resources. 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.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 33.

(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 Group. The Company and its overseas subsidiaries' functional currency is Hong Kong dollar ("HKD"). Since the Group's operations are conducted in the PRC, the Group has adopted RMB as its presentation currency.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The 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 Group has power, only substantive rights (held by the 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.

2 Significant accounting policies *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the 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, the 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 Company. Non-controlling interests in the results of the 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 Company.

Changes in the 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 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 Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2 Significant accounting policies *(Continued)*

(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 (see Note 2(j)).

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) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(i)) to earn rental 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. Rental income from investment properties is accounted for as described in Note 2(r)(i).

Transfers to, or from, investment properties are made when, and only when, there is a change in use. For a transfer from investment property carried at fair value to inventories, the property's deemed cost shall be its fair value at the date of change in use. For a transfer from inventories to investment property that will be at fair value, any difference between the fair value of the property at that date and its previous carrying amount should be recognised in profit or loss.

2 Significant accounting policies *(Continued)*

(f) Investment property *(Continued)*

When the Group holds a property interest under an operating lease to earn rental 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(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).

(g) 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(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 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.

2 Significant accounting policies *(Continued)*

(g) Property and equipment *(Continued)*

(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:

- Machinery equipment 5–10 years
- Office equipment 5–10 years
- Vehicles 5–20 years
- Leasehold improvements 3–20 years

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

(h) Intangible assets (other than goodwill)

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

- Favourable term lease contract 20 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.

2 Significant accounting policies *(Continued)*

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the 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 Group

Assets that are held by the Group under leases which transfer to the 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 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(f)); 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 Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the 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 Group will obtain ownership of the asset, the life of the asset, as set out in Note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in Note 2(j)(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.

2 Significant accounting policies *(Continued)*

(i) Leased assets *(Continued)*

(iii) Operating lease charges

Where the 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 rentals 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(f)) or is held for development for sale.

(j) 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 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.

2 Significant accounting policies *(Continued)*

(j) Impairment of assets *(Continued)*

(i) Impairment of other receivables (Continued)

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 trade 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 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.

2 Significant accounting policies *(Continued)*

(j) Impairment of assets *(Continued)*

(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 equipment;

— intangible assets;

— goodwill; and

— investments in subsidiaries in the company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, 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).

2 Significant accounting policies *(Continued)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— 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.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) 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 specific identification of their individual costs 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.

2 Significant accounting policies *(Continued)*

(k) Inventories *(Continued)*

Trading goods (Continued)

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.

(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 for doubtful debts (see Note 2(j)(i)).

(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.

2 Significant accounting policies *(Continued)*

(o) Employee benefits *(Continued)*

(ii) Terminate benefits

Termination benefits are recognised at the earlier of when the 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.

2 Significant accounting policies *(Continued)*

(p) Income tax *(Continued)*

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 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.

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 the 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 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 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.

2 Significant accounting policies *(Continued)*

(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 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 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)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the 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) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 2(q)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 2(q)(iii).

2 Significant accounting policies *(Continued)*

(q) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company 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 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 the lease. Contingent rentals 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) 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.

2 Significant accounting policies *(Continued)*

(r) Revenue recognition *(Continued)*

(iv) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(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 when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the 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 Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) 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.

2 Significant accounting policies *(Continued)*

(s) Translation of foreign currencies *(Continued)*

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.

(t) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(u) Related parties

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

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

(ii) has significant influence over the Group; or

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

2 Significant accounting policies *(Continued)*

(u) Related parties *(Continued)*

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

(i) The entity and the 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 Group or an entity related to the 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 Group or to the 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.

(v) Dividends

Dividends are recognised as a liability in the period in which they are declared.

2 Significant accounting policies *(Continued)*

(w) 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 Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the 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.

3 Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 19 to satisfy the new disclosure requirements introduced by the amendments to IAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Revenue and segment reporting

(a) Revenue from continuing operation

	2017 RMB'000	2016 RMB'000
Operating lease	**249,171**	243,473
Commission income	**738,941**	758,292
	988,112	1,001,765

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue during the year (2016: Nil).

(b) Segment reporting

Prior to the disposal of the shopping mall segment in July 2016 (see Note 20), the Group manages its businesses based on its business line, which are divided into development, lease and management of shopping mall and operation of agriculture wholesale markets.

After the disposal, the profit or loss, assets and liabilities of continuing operation represent the single segment of operation of agriculture wholesale markets segment.

All of the Group's operations are located in the People's Republic of China (the "PRC"), therefore no geographical segment reporting is presented.

5 Other income from continuing operation

	Note	2017 RMB'000	2016 RMB'000
Market service fee income		**117,701**	126,606
(Loss)/gain on disposal of property and equipment		**(3,501)**	148
Government grants		**893**	466
Loss on disposal of subsidiaries	*(i)*	**(21,629)**	–
Others		**31**	189
		93,495	127,409

(i) During the year ended 31 December 2017, the Group liquidated 160 oversea subsidiaries, which were mainly setup for the development of underground shopping mall projects in various PRC cities but remained inactive for years. The relevant exchange reserve of these subsidiaries amounting to RMB9,847,000 was reclassified to profit or loss upon liquidation.

In December 2017, the Group disposed of its 100% equity interest in a subsidiary to a third party with a consideration of HKD3,000,000. A loss of RMB11,782,000 was recognised, amounting the difference between the consideration and the amount of the subsidiary's net assets as at the disposal date.

6 (Loss)/profit from continuing operation before taxation

(a) Personnel expenses

	2017 RMB'000	2016 RMB'000
Wages, salaries and other benefits	**249,731**	261,675
Contributions to defined contribution retirement plans	**16,700**	17,053
	266,431	278,728

6 (Loss)/profit from continuing operation before taxation *(Continued)*

(b) Net finance income/(expenses)

	2017 RMB'000	2016 RMB'000
Finance income		
— Interest income on bank deposits	**4,178**	7,124
— Interest income on loans to third parties	**24,312**	–
	28,490	7,124
Finance expenses		
— Interest on interest-bearing borrowings	**–**	(19,068)
— Net foreign exchange loss	**(1,838)**	(5,979)
— Bank charges and others	**(556)**	(1,079)
	(2,394)	(26,126)
	26,096	(19,002)

(c) Other items

	Note	**2017 RMB'000**	2016 RMB'000
Depreciation		**46,752**	45,174
Amortisation	*13*	**324,333**	324,333
Advertisement expenses		**20,611**	2,364
Repairs and maintenance		**18,520**	20,693
Utility charges		**36,453**	39,676
Operating lease charges		**132,256**	136,769
Auditors' remuneration		**7,039**	5,859

7 Income tax from continuing operation

(a) Income tax in the consolidated statement of profit or loss represents:

	2017 RMB'000	2016 RMB'000
Current tax		
PRC Enterprise Income Tax		
Provision for the year	174,555	197,659
Under-provision in respect of prior years	493	252
	175,048	197,911
Deferred tax		
Reversal and origination of temporary difference *(Note 22(b))*	(81,084)	(81,084)
	93,964	116,827

(i) According to the Corporate Income Tax Law of the PRC, from 1 January 2008, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25% (2016: 25%).

(ii) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(iii) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year.

(b) Reconciliation between tax expenses and accounting (loss)/profit at applicable tax rates:

	2017 RMB'000	2016 RMB'000
(Loss)/profit from continuing operation before taxation	(33,086)	28,549
Income tax calculated at the PRC statutory income tax rate	(8,272)	7,137
Tax effect of unused tax losses	47,817	52,122
Effect of non-taxable expenses	54,419	57,568
	93,964	116,827

8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2017					
Chair person					
Dai Yongge	–	20,062	6,687	–	26,749
Executive directors					
Wang Hongfang	–	13,032	–	–	13,032
Dai Bin	–	4,012	–	–	4,012
Non-executive directors					
Hawken Xiu Li	–	1,003	–	–	1,003
Jiang Mei	–	1,003	–	–	1,003
Zhang Xingmei	–	1,003	–	–	1,003
Zhang Dabin	–	1,003	–	–	1,003
Wang Chunrong	–	995	–	–	995
Independent non-executive directors					
Fan Ren-Da, Anthony	–	402	–	–	402
Wang Yifu	–	301	–	–	301
Wang Shengli	–	301	–	–	301
Leung Chung Ki	–	301	–	–	301
Tang Hon Man	–	301	–	–	301
	–	43,719	6,687	–	50,406

8 Directors' emoluments *(Continued)*

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2016					
Chair person					
Dai Yongge	–	22,081	–	14	22,095
Executive directors					
Wang Hongfang	–	13,955	–	–	13,955
Zhou Jun (resigned in October 2016)	–	3,165	–	–	3,165
Dai Bin	–	4,294	–	–	4,294
Hu Yuzhou (resigned in October 2016)	–	6,945	–	–	6,945
Non-executive directors					
Hawken Xiu Li	–	1,073	–	–	1,073
Jiang Mei	–	1,073	–	–	1,073
Zhang Xingmei	–	1,073	–	–	1,073
Zhang Dabin	–	1,073	–	–	1,073
Wang Chunrong	–	1,073	–	–	1,073
Independent non-executive directors					
Fan Ren-Da, Anthony	–	430	–	–	430
Wang Yifu	–	322	–	–	322
Wang Shengli	–	322	–	–	322
Leung Chung Ki	–	322	–	–	322
Tang Hon Man	–	322	–	–	322
	–	57,523	–	14	57,537

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2016: three) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other two (2016: two) individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other emoluments	11,766	12,591
Retirement scheme contributions	30	32
	11,796	12,623

The emoluments of the two (2016: two) individuals with the highest emoluments are within the following bands:

	2017 Number of individuals	2016 Number of individuals
HKD5,000,001–HKD7,000,000	2	2

10 Other comprehensive income

	2017 RMB'000	2016 RMB'000
Exchange differences on translation of:		
— financial statements of oversea subsidiaries before tax amount and net of tax amount	88,674	(46,327)
Reclassification of foreign currency translation on disposal of subsidiaries	10,068	–
	98,742	(46,327)

11 Basic and diluted loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB127,050,000 (2016: loss of RMB14,583,909,000) and the weighted average of 43,966,100,000 ordinary shares (2016: 43,966,100,000 ordinary shares) in issue during the reporting period.

During the years ended 31 December 2017 and 2016, diluted loss per share is calculated on the same basis as basic loss per share.

Loss attributable to ordinary shareholders of the Company used in the basic and diluted loss per share calculations:

	2017 **RMB'000**	2016 RMB'000
From continuing operation	**(127,050)**	(88,278)
From discontinued operation	**–**	(14,495,631)
Loss attributable to ordinary equity shareholders	**(127,050)**	(14,583,909)

12 Property and equipment

	Machinery equipment RMB'000	Office equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Under construction RMB'000 (ii)	Total RMB'000
Cost						
At 1 January 2016	33,312	86,613	639,861	–	–	759,786
Exchange reserve	–	918	40,371	–	–	41,289
Additions	4,325	6,546	505	55,376	111,613	178,365
Disposals	–	(1,209)	(1,128)	–	–	(2,337)
Transfer from under construction	2,087	1,006	–	4,790	–	7,883
Transfer to property and equipment	–	–	–	–	(7,883)	(7,883)
Disposal of discontinued operation	–	(37,798)	(32,552)	–	–	(70,350)
At 31 December 2016	39,724	56,076	647,057	60,166	103,730	906,753
At 1 January 2017	**39,724**	**56,076**	**647,057**	**60,166**	**103,730**	**906,753**
Exchange reserve	**–**	**(970)**	**(42,073)**	**–**	**–**	**(43,043)**
Additions	**4,410**	**7,727**	**4,912**	**17,100**	**59,162**	**93,311**
Disposals	**(5,319)**	**(929)**	**(685)**	**–**	**–**	**(6,933)**
Disposal of a subsidiary (i)	**–**	**–**	**(24,133)**	**–**	**–**	**(24,133)**
Transfer from under construction	**6,847**	**1,258**	**–**	**46,199**	**–**	**54,304**
Transfer to property and equipment	**–**	**–**	**–**	**–**	**(54,304)**	**(54,304)**
At 31 December 2017	**45,662**	**63,162**	**585,078**	**123,465**	**108,588**	**925,955**
Accumulated depreciation						
At 1 January 2016	1,174	39,353	183,540	–	–	224,067
Exchange reserve	–	532	10,350	–	–	10,882
Charge for the year	4,689	9,005	33,562	830	–	48,086
Written back on disposals	–	(726)	(1,311)	–	–	(2,037)
Disposal of discontinued operation	–	(30,883)	(27,255)	–	–	(58,138)
At 31 December 2016	5,863	17,281	198,886	830	–	222,860
At 1 January 2017	**5,863**	**17,281**	**198,886**	**830**	**–**	**222,860**
Exchange reserve	**–**	**(685)**	**(12,983)**	**–**	**–**	**(13,668)**
Charge for the year	**3,200**	**8,293**	**30,874**	**4,385**	**–**	**46,752**
Written back on disposals	**(1,010)**	**(90)**	**(158)**	**–**	**–**	**(1,258)**
Written back on disposal of a subsidiary(i)	**–**	**–**	**(10,151)**	**–**	**–**	**(10,151)**
At 31 December 2017	**8,053**	**24,799**	**206,468**	**5,215**	**–**	**244,535**
Net book value						
At 31 December 2016	33,861	38,795	448,171	59,336	103,730	683,893
At 31 December 2017	**37,609**	**38,363**	**378,610**	**118,250**	**108,588**	**681,420**

(i) In December 2017, the Group disposed of its 100% equity interests in a subsidiary (see Note 5(i)).

(ii) Amounting to RMB102,826,000 of under construction represents construction in relation to leasehold improvements (2016: RMB102,641,000).

13 Intangible assets

	Favourable term lease contract (i) RMB'000	Others RMB'000	Total RMB'000
Cost:			
At 1 January 2016	6,486,667	11,813	6,498,480
Exchange reserve	–	800	800
At 31 December 2016	6,486,667	12,613	6,499,280
At 1 January 2017	**6,486,667**	**12,613**	**6,499,280**
Exchange reserve	**–**	**(827)**	**(827)**
At 31 December 2017	**6,486,667**	**11,786**	**6,498,453**
Accumulated amortisation:			
At 1 January 2016	(140,397)	–	(140,397)
Charge for the year	(324,333)	–	(324,333)
At 31 December 2016	(464,730)	–	(464,730)
At 1 January 2017	**(464,730)**	**–**	**(464,730)**
Charge for the year	**(324,333)**	**–**	**(324,333)**
At 31 December 2017	**(789,063)**	**–**	**(789,063)**
Net book value:			
At 31 December 2016	6,021,937	12,613	6,034,550
At 31 December 2017	**5,697,604**	**11,786**	**5,709,390**

13 Intangible assets *(Continued)*

The amortisation charge for the year is included in "other operating expenses" in the consolidated statement of profit or loss.

(i) In connection with the Acquisition occurred in July 2015, the Group (as lessee) entered into 20 years lease agreements with market owners of the agriculture wholesale markets (as lessor), according to which the rent to be paid is favourable as compared with the fair value of market rent. As at the acquisition date on 27 July 2015, the Group recognised these favourable term lease agreements as an intangible asset at its fair value amounting to RMB6,486,667,000 which is amortised on a straight-line basis over the contractual life of the lease agreements. The amortisation charge for the year of RMB324,333,000 (2016: RMB324,333,000) is included in other operating expenses in the consolidated statement of profit or loss.

14 Goodwill

	RMB'000
Cost:	
At 1 January 2016	1,883,122
Disposal of discontinued operation	(363,792)
At 31 December 2016 and 31 December 2017	**1,519,330**
Accumulated impairment losses:	
At 1 January 2016, 31 December 2016 and 31 December 2017	**(1,132,950)**
Carrying amount:	
At 31 December 2016	386,380
At 31 December 2017	**386,380**

Goodwill of RMB386,380,000 relates to the Acquisition of agriculture wholesale markets business which was completed on 27 July 2015. The acquired business is identified to be a cash-generating unit, the recoverable amount of which is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 10-year period. A longer period of the forecast used was because agriculture wholesale markets operate stably and could be projected based on management's best estimation. Cash flows beyond the 10-year period are extrapolated using an estimated weighted average growth rate of 2.5% which is consistent with the forecasts included in industry reports. The cash flows are discounted using a discount rate of 15.44%. The discount rate used is pre-tax and reflect specific risks relating to the business.

(Expressed in Renminbi)

15 Interests in subsidiaries

As at 31 December 2017, the Company had direct or indirect interests in following subsidiaries. The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. All of which are private companies, particulars of which are set out below:

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Renhe Commercial Management Limited	Hong Kong 18 December 2007	HKD1	–	100%	Investment holding
Yield Smart Limited	British Virgin Islands 30 March 2015	USD2	100%	–	Investment holding
Shouguang Dili Agricultural Product Logistics Park Co., Ltd.	Shouguang, the PRC 18 December 2014	Registered capital of USD32,600 and paid-in capital of USD nil	–	100%	Lease and management agriculture wholesale market
Shenyang Shouguang Dili Agricultural By-Products Co., Ltd.	Shenyang, the PRC 14 November 2014	Registered capital of RMB200,000 and paid-in capital of RMB nil	–	100%	Lease and management agriculture wholesale market
Guiyang Juzhengrun Products Market Management Co., Ltd.	Guiyang, the PRC 23 December 2014	Registered capital of HKD200,000 and paid-in capital of HKD nil	–	100%	Lease and management agriculture wholesale market
Harbin Dili Agricultural By-Products Co., Ltd.	Harbin, the PRC 24 October 2014	Registered capital of RMB200,000 and paid-in capital of RMB nil	–	100%	Lease and management agriculture wholesale market

15 Interests in subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Harbin Dalikai Agricultural By-Products Co., Ltd.	Harbin, the PRC 6 November 2014	Registered capital of RMB100,000 and paid-in capital of RMB nil	–	100%	Lease and management agriculture wholesale market
Qiqihar Shouguang Dili Products Market Management Co., Ltd.	Qiqihar, the PRC 31 October 2014	Registered capital of USD20,000 and paid-in capital of USD nil	–	100%	Lease and management agriculture wholesale market
Mudanjiang Dili Agricultural By-Products Co., Ltd.	Mudanjiang, the PRC 18 November 2014	Registered capital of RMB100,000 and paid-in capital of RMB nil	–	100%	Lease and management agriculture wholesale market

The English translation of the names of the PRC incorporated companies are for reference only and the official names of these entities are in Chinese.

As at 31 December 2017, no subsidiary of the Group had material non-controlling interests.

16 Other assets

	2017 RMB'000	2016 RMB'000
Prepayments for construction	–	21,682
	–	21,682

17 Inventories

	2017 RMB'000	2016 RMB'000
Trading goods	**44,432**	46,538
	44,432	46,538

18 Trade and other receivables

	Note	2017 RMB'000	2016 RMB'000
Deposits for acquisition	*(ii)*	**–**	400,000
Amounts due from related parties	*29(c)*	**9,190**	1,400,060
Loans to third parties	*(iii)*	**687,920**	–
Others		**67,546**	52,610
		764,656	1,852,670
Less: allowance for doubtful debts	*(i)*	**–**	–
		764,656	1,852,670

18 Trade and other receivables *(Continued)*

(i) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see Note 2(j)(i)).

The movement in the allowance for doubtful debts is as follows:

	2017 **RMB'000**	2016 RMB'000
At 1 January	**–**	157,537
Disposal of discontinued operation	**–**	(157,537)
Impairment losses recognised	**–**	–
At 31 December	**–**	–

(ii) Deposits for acquisition

The balance as at 31 December 2016 represented deposit for acquisition of new projects in the PRC. The acquisitions were not materialized and the deposits were refunded during the year ended 31 December 2017.

(iii) Loans to third parties

Loans to third parties are unsecured with principal ranging from HKD200 million to HKD400 million each, which are subject to a fixed interest rate of 6% per annum. As at 31 December 2017, the outstanding balance was RMB688 million and has been fully received by the Group in mid-March 2018.

19 Cash at bank and on hand

	2017 RMB'000	2016 RMB'000
Cash on hand	**11,883**	23,150
Cash at bank	**1,210,235**	1,441,806
	1,222,118	1,464,956
Representing:		
— Cash and cash equivalents	**1,097,118**	1,414,956
— Time deposits with original maturity over three months	**125,000**	50,000
	1,222,118	1,464,956

The Group has no changes in liabilities arising from financing activities during the year of 2017.

20 Discontinued operation

During the year of 2016, the Company entered into a sale agreement to dispose of its shopping mall segment, which comprises 23 completed shopping malls, 11 shopping malls under construction and 10 shopping malls at the planning stage with relevant construction approvals obtained (collectively the "Disposal Group"). The Disposal contemplated under the sale agreement had been approved by independent shareholders of the Company at the Extraordinary General Meeting held on 18 May 2016. As a result, all the legal obstacles for the completion of the Disposal had been cleared and majority of the condition precedents to the sale agreement had been fulfilled by both parties as at 30 June 2016. Consequently, a provision amounted to RMB13,726,610,000 in respect of the disposal loss has been recognised as at 30 June 2016. The Disposal was completed on 8 July 2016, the controlling shareholder of the Company acquired the Disposal Group at a consideration of RMB6.5 billion.

20 Discontinued operation *(Continued)*

(a) Results of discontinued operation

	2016 RMB'000
Revenue	239,313
Cost of sales	–
Gross profit	239,313
Other income	64,042
Administrative expenses	(84,601)
Other operating expenses	(103,490)
Net valuation loss on investment properties	(763,085)
Operating loss	(647,821)
Finance income	5,632
Finance expenses	(284,746)
Net finance expenses	(279,114)
Loss before taxation	(926,935)
Income tax	140,195
Net operating loss for the year from discontinued operation, net of tax	(786,740)
Loss on disposal of discontinued operation	(13,726,610)
Loss from discontinued operation, net of tax	(14,513,350)
Loss for the year from discontinued operation attributable to:	
Equity shareholders of the Company	(14,495,631)
Non-controlling interests	(17,719)
Loss for the year from discontinued operation	(14,513,350)

20 Discontinued operation *(Continued)*

(b) Cash flows used in discontinued operation

	2016 RMB'000
Net cash used in operating cash flows	(30,725)
Net cash used in investing cash flows	(52,966)
Net cash used in financing cash flows	(72,985)
Net cash flows for the year	(156,676)

(c) Other items

	2016 RMB'000
Depreciation	2,800
Advertisement expenses	6,992
Repairs and maintenance	32,869
Utility charges	21,219
Operating lease charges	4,966
Auditors' remuneration	
— audit services	3,741
— tax services	78

21 Trade and other payables

	Note	2017 RMB'000	2016 RMB'000
Receipts in advance		**162,786**	141,639
Construction payables	*(i)*	**74,483**	83,543
Other taxes payable		**6,456**	6,854
Deposits	*(ii)*	**121,934**	133,253
Amounts due to related parties	*29(c)*	**3,760**	1,560,243
Salary and welfare expenses payable		**23,947**	17,801
Professional service fee payables		**3,800**	12,061
Others		**4,336**	14,343
		401,502	1,969,737

(i) The ageing analysis of construction payables at the end of the year is as follows:

	2017 RMB'000	2016 RMB'000
Due within one year or on demand	**74,483**	83,543

(ii) These mainly represent deposits paid by tenants for the privilege to renew the operating lease contracts upon expiry, and deposits collected from customers to facilitate the payment process of agriculture wholesale markets while using the transaction settlement system.

22 Income tax in the consolidated statement of financial position

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

	2017 RMB'000	2016 RMB'000
PRC Enterprise Income Tax		
At the beginning of the year	50,262	46,821
Provision for the year	174,555	204,456
Tax paid	(183,725)	(198,830)
	41,092	52,447
Balance of profits tax provision relating to prior years	493	3,975
	41,585	56,422
Disposal of discontinued operation	–	(6,160)
	41,585	50,262

22 Income tax in the consolidated statement of financial position *(Continued)*

(b) Deferred tax assets and liabilities recognised

The components of deferred tax (liabilities)/assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Tax losses RMB'000	Revaluation of investment properties RMB'000	Deferred tax liabilities arising from business combination RMB'000	Discount effect of trade receivables RMB'000	Total RMB'000
At 1 January 2016	121,674	(2,343,612)	(2,266,303)	15,658	(4,472,583)
Credited/(charged) to profit or loss	1,348	138,635	92,200	(862)	231,321
Disposal of discontinued operation	(123,022)	2,204,977	668,619	(14,796)	2,735,778
At 31 December 2016	–	–	(1,505,484)	–	(1,505,484)
At 1 January 2017	**–**	**–**	**(1,505,484)**	**–**	**(1,505,484)**
Credited to profit or loss	**–**	**–**	**81,084**	**–**	**81,084**
At 31 December 2017	**–**	**–**	**(1,424,400)**	**–**	**(1,424,400)**

Deferred tax liabilities mainly represent the deferred tax liabilities recognised as a result of the acquisition of agriculture wholesale markets business in July 2015. It was reversed in line with the amortisation of the intangible asset identified during the acquisition.

(c) Deferred tax liabilities not recognised

As at 31 December 2017, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB3,647,508,000 (2016: RMB3,206,749,000). Deferred tax liabilities of RMB364,751,000 (2016: RMB320,675,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

23 Non-current receipt-in-advance

The amounts represent the payments received by the Group from tenants of agriculture wholesale markets.

24 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual component of equity between the beginning and the end of the year are set out below:

	Share capital	Share premium	Capital redemption reserve	Capital surplus	Exchange reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	366,604	13,862,305	7,508	92,168	(294,410)	(2,844,430)	11,189,745
Change in equity for 2016:							
Total comprehensive income for the year	–	–	–	–	307,649	(166,463)	141,186
Balance at 31 December 2016 and 1 January 2017	**366,604**	**13,862,305**	**7,508**	**92,168**	**13,239**	**(3,010,893)**	**11,330,931**
Change in equity for 2017:							
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(286,787)**	**(72,747)**	**(359,534)**
Balance at 31 December 2017	**366,604**	**13,862,305**	**7,508**	**92,168**	**(273,548)**	**(3,083,640)**	**10,971,397**

24 Capital and reserves *(Continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

The directors of the Company did not approve or pay any dividend in respect of the previous financial year during the year (2016: Nil).

(c) Share capital

	2017		2016	
	Number of shares ’000	**RMB’000**	Number of shares ’000	RMB’000
Authorised:				
Ordinary shares of HKD0.01 each	**80,000,000**		80,000,000	
Issued and fully paid:				
At 1 January/31 December	**43,966,100**	**366,604**	43,966,100	366,604

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value and the proceeds from the issuance of the shares of the Company and the difference between the par value and the consideration paid on the repurchase of the shares of the Company. The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

24 Capital and reserves *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(ii) Capital redemption reserve

Pursuant to section 37 Companies Law of the Cayman Islands, capital redemption reserve represents the par value of the shares of the Company cancelled and transferred from the retained earnings.

(iii) Capital surplus

Capital surplus mainly represents the book value of assets injected by the investors of the Company's subsidiaries in excess of their share of the registered capital, and the fair value of the estimated number of unexercised share options granted to employees of the Company.

(iv) Statutory reserve fund

Pursuant to the Articles of Association of the PRC subsidiaries comprising the Group, appropriations to the general reserve fund 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 subsidiaries. From 1 January 2008, the Group's PRC subsidiaries are required to transfer 10% of their profit after tax to statutory reserve fund in accordance with the relevant PRC regulations since these subsidiaries became wholly foreign owned enterprises by then. The transfer could no longer be recognised when the accumulated statutory reserve fund reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(v) Exchange reserves

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

(vi) Merger reserves

The merger reserves represent the aggregate amount of paid-in capital of the PRC subsidiaries now comprising the Group after elimination of investments in these subsidiaries.

24 Capital and reserves *(Continued)*

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the 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 rental and property management services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The 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 Group monitors its capital structure on the basis of a gearing ratio, being the interest-bearing borrowings divided by the total assets. As at 31 December 2017, the gearing ratio of the Group was nil (31 December 2016: nil).

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

25 Employee benefit plan

Defined contribution retirement benefit schemes

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in the cities the PRC subsidiaries operate. The Group is required to make contributions to the Schemes at the rate ranging from 18% to 20% (2016: 18% to 20%) of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other obligation for the payment of pension benefits associated with the Schemes and other post-retirement benefits beyond the annual contributions described above.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000. Contributions to the plan vest immediately.

26 Operating lease

(a) Leases as lessor

The future minimum lease receivables under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2017 RMB'000	2016 RMB'000
Less than one year	**153,869**	134,496
Between one and two years	**4,031**	–
	157,900	134,496

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2017 RMB'000	2016 RMB'000
Less than one year	**130,206**	128,610
Between one and five years	**479,139**	496,593
More than five years (i)	**1,673,184**	1,749,877
	2,282,529	2,375,080

(i) The balance mainly represents rentals to be paid for the 20 years lease agreements with market owners of the agriculture wholesale markets.

27 Capital commitments

As at 31 December 2017, the Group has the following commitments in respect of continuing operation not provided for in the financial statements:

	2017 RMB'000	2016 RMB'000
Contracted for	16,586	11,679
Authorised but not contracted for	–	8,000
	16,586	19,679

28 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Cash is deposited with financial institutions with acceptable credit quality. Except for cash of the Group's PRC subsidiaries deposited in the PRC banks, cash in the Group's subsidiaries outside PRC was deposited in Bank of China (Hong Kong) Limited, China Merchants Bank, China Minsheng Banking Corp., Ltd. (Hong Kong Branch), Chong Hing Bank and Industrial Bank Co., Ltd (Hong Kong Branch). Management does not expect any of these financial institutions will fail to meet their obligations.

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(b) Liquidity risk

The Group manages cash including the short term investment of cash surpluses and the raising of loans to cover expected cash demands on a group basis. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, 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. There was no unused bank facilities as at 31 December 2017 (31 December 2016: Nil).

(Expressed in Renminbi)

28 Financial risk management and fair values *(Continued)*

(b) Liquidity risk *(Continued)*

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

	2017 Contractual undiscounted cash outflow			2016 Contractual undiscounted cash outflow		
	Within 1 year or due on demand	Total	Carrying amount at 31 December	Within 1 year or due on demand	Total	Carrying amount at 31 December
Trade and other payables	232,260	232,260	232,260	1,821,244	1,821,244	1,821,244
	232,260	232,260	232,260	1,821,244	1,821,244	1,821,244

(c) Interest rate risk

At 31 December 2017 and 2016, the Group has no balance of interest-bearing borrowings.

(d) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the Group's cash and bank balances in RMB were placed with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

28 Financial risk management and fair values *(Continued)*

(d) Foreign currency risk *(Continued)*

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of the PRC subsidiaries (RMB) and the overseas group entities (HKD). Depreciation or appreciation of the RMB and HKD against foreign currencies can affect the Group's results. The Group did not hedge its foreign currency exposure.

The following table details the Group's recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Exposure foreign currencies (expressed in Renminbi)					
	2017			2016		
	USD	**HKD**	**RMB**	USD	HKD	RMB
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	**32,084**	**167**	**547**	38,822	206	943
Net exposure arising from recognised assets and liabilities	**32,084**	**167**	**547**	38,822	206	943

28 Financial risk management and fair values *(Continued)*

(d) Foreign currency risk *(Continued)*

The following table indicates the approximate change in the Group's profit after tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax (RMB'000)**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax (RMB'000)
HKD-USD	**0.4%**	**(17)**	0.4%	(19)
	(0.4%)	**17**	(0.4)%	19
HKD-RMB	**5%**	**(27)**	5%	(47)
	(5%)	**27**	(5)%	47
RMB-HKD/USD	**5%**	**(1,051)**	5%	(1,265)
	(5)%	**1,051**	(5)%	1,265

Given the current turbulent market, the reasonably possible changes estimated by the Group are based on the Group's best estimate considering the historical information and the forecast of the future economic situation. Actual changes in foreign exchange rates may be different from the Group's estimate.

28 Financial risk management and fair values *(Continued)*

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a 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.

At 31 December 2017 and 2016, the Group has no financial instruments carried at fair value at the end of reporting period.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017.

29 Material related party transactions and balances

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8, is as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other emoluments	84,038	87,584
Retirement plan contributions	201	170
	84,239	87,754

(b) Material related party transactions

	2017 RMB'000	2016 RMB'000
Operating lease to		
— Directors	–	12
— Other related parties	–	31
Operating lease from		
— Other related parties	–	380
Rental charged to related parties	100,000	100,000
Prepayment of rental expenses to related parties	(39,142)	(139,000)
Interest charged to a related party	–	18,024
Disposal of discontinued operation	–	6,500,000
Guarantee revoked from directors	–	(5,118,495)
Guarantee revoked from a key management personnel	–	(127,500)
Advances from a director	1,445,026	1,838,340
Repayment to related parties	(1,487,800)	(2,918,176)

29 Material related party transactions and balances *(Continued)*

(c) Related party balances

	Note	2017 RMB'000	2016 RMB'000
Amounts due to relate parties			
— Mr. Dai Yongge*		**(881)**	(1,487,800)
— Entities under control of Ms. Zhang Xingmei**		**(2,879)**	(72,443)
	21	**(3,760)**	(1,560,243)
Amounts due from related parties			
— Mr. Dai Yongge*		**48**	1,260,776
— Entities under control of Ms. Zhang Xingmei**		**9,142**	139,284
	18	**9,190**	1,400,060
		5,430	(160,183)

* Mr. Dai Yongge, a director and the chairman of the Company.

** Ms. Zhang Xingmei, a non-executive director of the Company and the spouse of Mr. Dai Yongge.

(d) The listing rules relating to connected transactions

The related party transactions in respect of the Acquisition and rental expenses charged to a related party, constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, of which the disclosures required by Chapter 14A of the Listing Rules are provided in section connected transactions of the Reports of the Directors. Except for these transactions, other related party transactions mentioned in Note 29(b) are exempt from the disclosure requirements in Chapter 14 A of the Listing Rules.

30 Company-level statement of financial position

	Note	2017 RMB'000	2016 RMB'000
Non-current asset			
Interests in subsidiaries	15	**12,061,367**	13,091,680
Total non-current asset		**12,061,367**	13,091,680
Current assets			
Trade receivables and other assets		**1,049**	1,063
Cash at bank and on hand		**301,051**	341
Total current assets		**302,100**	1,404
Current liabilities			
Amounts due to related parties		**1,391,732**	1,748,830
Trade and other payables		**338**	13,323
Total current liabilities		**1,392,070**	1,762,153
Net current liabilities		**(1,089,970)**	(1,760,749)
Net assets		**10,971,397**	11,330,931
Capital and reserves			
Share capital	24(c)	**366,604**	366,604
Reserves	24(d)	**10,604,793**	10,964,327
Total equity		**10,971,397**	11,330,931

Approved and authorised for issue by the board of directors on 28 March 2018.

Dai Yongge
Chairman

Wang Hongfang
Director

(Expressed in Renminbi)

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017

Up to the date of issue of these 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 financial statements. These include the following which may be relevant to the 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
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to IAS 40, *Investment property: Transfers of investment property*	1 January 2018
IFRIC 22, *Foreign currency transactions and advance consideration*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The 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 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 Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 *(Continued)*

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 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 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 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). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of IFRS 9.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 *(Continued)*

IFRS 9, Financial instruments *(Continued)*

(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 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 group has identified the following areas which are expected to be affected:

Timing of revenue recognition

The 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.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 *(Continued)*

IFRS 15, Revenue from contracts with customers *(Continued)*

Timing of revenue recognition (Continued)

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 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 the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The 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.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 *(Continued)*

IFRS 16, Leases *(Continued)*

IFRS 16 will primarily affect the 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 26(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB2,282,529,000 for properties and plant, 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 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 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 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 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 Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

32 Ultimate holding company

The directors of the Company consider the ultimate holding company of the Company as at 31 December 2017 to be Shining Hill Investments Limited, which is incorporated in the BVI. This entity does not produce financial statements available for public use.

33 Accounting judgment and estimates

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the financial statements.

(a) Impairment losses for bad and doubtful debts

The 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 Group bases the estimates on the aging of the receivable balance, debtors' creditworthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

33 Accounting judgment and estimates *(Continued)*

(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 IAS 36 "Impairment of Assets". 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 its fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's 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 judgment relating to level of sales volume, selling price and amount of operating costs. The Group uses 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) Taxes

The Company and its subsidiaries file taxes in many tax authorities. Judgment 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.

Five Years Financial Summary

	Year ended 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000 (Re-presented)	2016 RMB'000	**2017** **RMB'000**
RESULTS					
Revenue	547,410	555,357	386,640	1,001,765	**988,112**
Cost of sales	(26,144)	(11,825)	–	–	**–**
Gross profit	521,266	543,532	386,640	1,001,765	**988,112**
Gross profit %	95.22%	97.87%	100.00%	100.00%	**100.00%**
Net valuation loss on investment properties	(832,256)	(1,364,462)	–	–	**–**
Profit on disposal of investment properties	65,699	7,736	–	–	**–**
Other income	98,987	104,659	44,461	127,409	**93,495**
Administrative expenses	(1,003,951)	(409,490)	(412,036)	(490,488)	**(536,524)**
Goodwill impairment losses	–	–	(1,132,950)	–	**–**
Other operating expenses	(345,285)	(339,600)	(240,435)	(591,135)	**(604,265)**
(Loss)/profit from operations	(1,495,540)	(1,457,625)	(1,354,320)	47,551	**(59,182)**
Finance income	72,821	123,174	19,822	7,124	**28,490**
Finance expenses	(476,937)	(541,490)	(2,190)	(26,126)	**(2,394)**
Net finance income/(expenses)	(404,116)	(418,316)	17,632	(19,002)	**26,096**
(Loss)/profit before income tax	(1,899,656)	(1,875,941)	(1,336,688)	28,549	**(33,086)**
Income tax	151,286	161,398	(35,677)	(116,827)	**(93,964)**
Loss from discontinued operation, net of tax	–	–	(3,164,388)	(14,513,350)	**–**
(Loss)/profit for the year	(1,748,370)	(1,714,543)	(4,536,753)	(14,601,628)	**(127,050)**

	As at 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
ASSETS AND LIABILITIES					
Total assets	35,962,975	37,308,646	38,235,946	10,490,669	**8,808,396**
Total liabilities	(15,656,020)	(18,740,302)	(16,601,714)	3,525,483	**1,871,518**
Total equity	20,306,955	18,568,344	21,634,232	6,965,186	**6,936,878**
Total equity attributable to equity shareholders of the Company	20,119,045	18,428,464	21,595,422	6,965,186	**6,936,878**
Non-controlling interests	187,910	139,880	38,810	–	**–**
	20,306,955	18,568,344	21,634,232	6,965,186	**6,936,878**

RENHE

Renhe Commercial Holdings Company Limited