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## **Renhe Commercial Holdings Company Limited**

**人和商業控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1387)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

The board of directors (the “Board”) of Renhe Commercial Holdings Company Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2018 with comparative figures for the previous financial year as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 December 2018*

|   | <i>Note</i> | <b>2018</b><br><b>RMB'000</b> | 2017<br>RMB'000<br><i>(Note)</i> |
|---|-------------|-------------------------------|----------------------------------|
| Revenue                                     | 2           | <b>1,128,654</b>              | 988,112                          |
| Other (expenses)/income                     | 3           | <b>(59,435)</b>               | 93,495                           |
| Net valuation gain on investment properties | 10          | <b>13,500</b>                 | –                                |
| Administrative expenses                     |             | <b>(703,134)</b>              | (536,524)                        |
| Other operating expenses                    |             | <b>(691,339)</b>              | (604,265)                        |
| <b>Loss from operations</b>                 |             | <b>(311,754)</b>              | (59,182)                         |
| Finance income                              |             | <b>74,319</b>                 | 28,490                           |
| Finance expenses                            |             | <b>(17,490)</b>               | (2,394)                          |
| Net finance income                          | 6           | <b>56,829</b>                 | 26,096                           |

*Note:* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

\* *For identification purpose only*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS** (Continued)*For the year ended 31 December 2018*

|  | <i>Note</i> | <b>2018</b><br><b>RMB'000</b> | 2017<br><i>RMB'000</i><br><i>(Note)</i> |
|--|-------------|-------------------------------|---|
| <b>Loss before taxation</b>                                  | 5           | <b>(254,925)</b>              | (33,086)                                |
| Income tax   | 7           | <u><b>(93,676)</b></u>        | <u>(93,964)</u>                         |
| <b>Loss for the year</b>                                     |             | <u><b>(348,601)</b></u>       | <u>(127,050)</u>                        |
| <b>Attributable to:</b>                                      |             |                               |   |
| Equity shareholders of the Company                           | 9           | <b>(360,901)</b>              | (127,050)                               |
| Non-controlling interests                                    |             | <u><b>12,300</b></u>          | <u>–</u>                                |
| <b>Loss for the year</b>                                     |             | <u><b>(348,601)</b></u>       | <u>(127,050)</u>                        |
| <b>Basic and diluted loss per share</b> ( <i>RMB cents</i> ) | 9           | <b>(0.72)</b>                 | (0.29)                                  |

*Note:* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 December 2018*

|  | <b>2018</b><br><i>RMB'000</i> | 2017<br><i>RMB'000</i><br><i>(Note)</i> |
|--|-------------------------------|---|
| <b>Loss for the year</b>   | <b>(348,601)</b>              | (127,050)                               |
| <b>Other comprehensive income for the year<br/>(after tax and reclassification adjustments):</b> |                               |   |
| Item that may be reclassified subsequently to profit<br>or loss:                                 |                               |   |
| Exchange differences on translation of financial<br>statements of foreign operations             | <u>135,838</u>                | <u>98,742</u>                           |
| <b>Total comprehensive income for the year</b>   | <u><b>(212,763)</b></u>       | <u>(28,308)</u>                         |
| <b>Attributable to:</b>  |                               |   |
| Equity shareholders of the Company   | <b>(225,063)</b>              | (28,308)                                |
| Non-controlling interests  | <u>12,300</u>                 | <u>–</u>                                |
| <b>Total comprehensive income for the year</b>   | <u><b>(212,763)</b></u>       | <u>(28,308)</u>                         |

*Note:* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

|  |             | <b>31 December<br/>2018</b>                 | 31 December<br>2017                         |
|--|-------------|---|---|
|  | <i>Note</i> | <b>RMB'000</b>                              | <i>RMB'000</i><br>( <i>Note</i> )           |
| <b>Non-current assets</b>                    |             |   |   |
| Property and equipment                       |             | <b>1,952,043</b>                            | 681,420                                     |
| Investment properties                        | <i>10</i>   | <b>446,500</b>                              | –   |
| Intangible assets                            | <i>11</i>   | <b>5,385,625</b>                            | 5,709,390                                   |
| Goodwill                                     | <i>12</i>   | <b>1,094,526</b>                            | 386,380                                     |
| Other assets                                 |             | <b>29,035</b>                               | –   |
| Deferred tax assets                          |             | <b>676</b>                                  | –   |
|  |             | <hr/>                                       | <hr/>                                       |
| <b>Total non-current assets</b>              |             | <b>8,908,405</b>                            | 6,777,190                                   |
|  |             | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| <b>Current assets</b>                        |             |   |   |
| Inventories                                  |             | <b>35,604</b>                               | 44,432                                      |
| Trade and other receivables                  | <i>13</i>   | <b>1,255,940</b>                            | 764,656                                     |
| Cash at bank and on hand                     |             | <b>1,354,070</b>                            | 1,222,118                                   |
| Other assets                                 |             | <b>35,286</b>                               | –   |
|  |             | <hr/>                                       | <hr/>                                       |
| <b>Total current assets</b>                  |             | <b>2,680,900</b>                            | 2,031,206                                   |
|  |             | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| <b>Current liabilities</b>                   |             |   |   |
| Interest-bearing borrowings                  |             | <b>198,500</b>                              | –   |
| Trade and other payables                     | <i>14</i>   | <b>666,838</b>                              | 401,502                                     |
| Taxation                                     |             | <b>122,543</b>                              | 41,585                                      |
|  |             | <hr/>                                       | <hr/>                                       |
| <b>Total current liabilities</b>             |             | <b>987,881</b>                              | 443,087                                     |
|  |             | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| <b>Net current assets</b>                    |             | <b>1,693,019</b>                            | 1,588,119                                   |
|  |             | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| <b>Total assets less current liabilities</b> |             | <b>10,601,424</b>                           | 8,365,309                                   |
|  |             | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |

*Note:* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***At 31 December 2018*

|  |             | <b>31 December<br/>2018</b> | 31 December<br>2017       |
|--|-------------|-----------------------------|---------------------------|
|  | <i>Note</i> | <b>RMB'000</b>              | <i>RMB'000<br/>(Note)</i> |
| <b>Non-current liabilities</b>   |             |                             |                           |
| Interest-bearing borrowings  |             | <b>373,180</b>              | –                         |
| Deferred tax liabilities   |             | <b>1,711,492</b>            | 1,424,400                 |
| Receipt-in-advance   |             | –                           | 4,031                     |
| Deferred income  |             | <b>3,205</b>                | –                         |
|  |             | <hr/>                       | <hr/>                     |
| <b>Total non-current liabilities</b>                                       |             | <b>2,087,877</b>            | 1,428,431                 |
|  |             | <hr/>                       | <hr/>                     |
| <b>Net assets</b>  |             | <b>8,513,547</b>            | 6,936,878                 |
|  |             | <hr/>                       | <hr/>                     |
| <b>Capital and reserves</b>  |             |                             |                           |
| Share capital  | <i>15</i>   | <b>478,794</b>              | 366,604                   |
| Reserves   |             | <b>7,922,923</b>            | 6,570,274                 |
|  |             | <hr/>                       | <hr/>                     |
| <b>Total equity attributable to equity shareholders<br/>of the Company</b> |             | <b>8,401,717</b>            | 6,936,878                 |
| <b>Non-controlling interests</b>   |             | <b>111,830</b>              | –                         |
|  |             | <hr/>                       | <hr/>                     |
| <b>Total equity</b>  |             | <b>8,513,547</b>            | 6,936,878                 |
|  |             | <hr/>                       | <hr/>                     |

*Note:* The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

## NOTES:

### 1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”) 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”).

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. The 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 the financial statements is provided as below.

#### Changes in Accounting Policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- IFRS 9, Financial instruments
- IFRS 15, Revenue from contracts with customers

None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in these annual financial statements.

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

### 2. REVENUE AND SEGMENT REPORTING

#### (a) Disaggregation of revenue

Disaggregation of revenue with customers by service lines is as follows:

|  | <b>2018</b><br><i>RMB’000</i> | 2017<br><i>RMB’000</i> |
|--|-------------------------------|------------------------|
| <b>Revenue from contracts with customers within the scope of IFRS 15</b> |                               |                        |
| Commission income  | <b>810,572</b>                | 738,941                |
| <b>Revenue from other sources</b>  |                               |                        |
| Operating lease  | <b>318,082</b>                | 249,171                |
|  | <b>1,128,654</b>              | 988,112                |

The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11 .

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 (2017: Nil).

## 2. REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting

The Group manages its business in a single segment, namely operation of agriculture wholesale markets. The Group's most senior executive management assesses performance and allocates resources on a group basis. Accordingly, no operating segment information is presented.

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

## 3. OTHER (EXPENSES)/INCOME

|   | <b>2018</b><br><i>RMB'000</i> | 2017<br><i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Market service fee income   | <b>126,845</b>                | 117,701                |
| Loss on disposal of property and equipment  | <b>(189,223)</b>              | (3,501)                |
| Government grants   | <b>1,822</b>                  | 893                    |
| Loss on disposal of subsidiaries  | –                             | (21,629)               |
| Net realised and unrealised loss on financial assets measured<br>at fair value through profit or loss | <b>(3,018)</b>                | –                      |
| Others  | <b>4,139</b>                  | 31                     |
|   | <b><u>(59,435)</u></b>        | <b><u>93,495</u></b>   |

## 4. ACQUISITION OF BUSINESS

On 5 June 2018, Yield Smart Limited entered into a sale and purchase agreement with Vast Equity Investment Limited, which is wholly-owned by Mr. Suen, an independent third party. Pursuant to the sale and purchase agreement, Yield Smart Limited would acquire the entire issued share capital of Wise Path Holdings Limited (the "Hangzhou Acquisition"), in turn to acquire the fruit, vegetables and seafood wholesale markets businesses (the "Hangzhou Business"), in Hangzhou, the PRC.

The total consideration for the Hangzhou Acquisition was HKD1,470,000,000 and was satisfied by cash.

The above Hangzhou Acquisition was completed as all the conditions had been fulfilled or waived on 24 July 2018. As a result, Wise Path Holdings Limited became a wholly-owned subsidiary of the Company.

#### 4. ACQUISITION OF BUSINESS (Continued)

The identifiable assets acquired and liabilities assumed in the above Hangzhou Acquisition were as follows:

|   | <i>Note</i> | Recognised<br>values on<br>acquisition<br><i>RMB'000</i> |
|---|-------------|--|
| Property and equipment                  |             | 1,602,514  |
| Investment properties                   | 10          | 433,000  |
| Trade and other receivables             |             | 263,933  |
| Cash at bank and on hand                |             | 274,269  |
| Other assets                            |             | 49,182   |
| Interest-bearing borrowings             |             | (592,180)  |
| Trade and other payables                |             | (922,985)  |
| Income tax payables                     |             | (74,765)   |
| Deferred tax liabilities                |             | (368,541)  |
| Deferred income                         |             | (1,302)  |
|   |             | <hr/>  |
| Total identifiable net assets           |             | 663,125  |
| Less: non-controlling interests         |             | (99,530)   |
|   |             | <hr/>  |
| Net identifiable assets acquired        |             | 563,595  |
| Goodwill                                | 12          | 708,146  |
|   |             | <hr/>  |
| Total cash consideration                |             | 1,271,741  |
| Less: cash at bank and on hand acquired |             | (274,269)  |
|   |             | <hr/>  |
| Net cash outflow                        |             | <u>997,472</u>   |

The goodwill is attributable mainly to the Group's management and workforce, and the synergies with other agriculture markets under common control.

The values of assets and liabilities recognised on acquisition are their estimated fair values. In determining the fair values of property and equipment, the directors of the Group have referenced the fair value adjustments to valuation reports issued by independent valuers. The fair value of property and equipment located in the PRC is determined by discounting a projected cash flow projections based on financial budgets approved by management covering a 10-year period. These cash flow projections adopted annual sales growth rates ranging from -3% to 5%, which are based on historical experience with the operations of the Market. Cash flows beyond the 10-year period are extrapolated using an estimate weighted average sales growth rate of 2.5%. The cash flows are discounted using discount rate of 11.1%. The discount rates used are pre-taxed and reflect specific risks relating to the respective property and equipment.



## 5. LOSS BEFORE TAXATION

|                         |             | <b>2018</b>    | 2017           |
|-------------------------|-------------|----------------|----------------|
|                         | <i>Note</i> | <b>RMB'000</b> | <b>RMB'000</b> |
| Depreciation            |             | <b>84,582</b>  | 46,752         |
| Amortisation            | <i>11</i>   | <b>324,333</b> | 324,333        |
| Advertisement expenses  |             | <b>1,479</b>   | 20,611         |
| Repairs and maintenance |             | <b>37,502</b>  | 18,520         |
| Utility charges         |             | <b>46,830</b>  | 36,453         |
| Operating lease charges |             | <b>140,331</b> | 132,256        |
| Auditors' remuneration  |             | <b>14,538</b>  | 7,039          |

## 6. NET FINANCE INCOME

|   |  | <b>2018</b>            | 2017           |
|---|--|------------------------|----------------|
|   |  | <b>RMB'000</b>         | <b>RMB'000</b> |
| Finance income                              |  |                        |                |
| — Interest income on bank deposits          |  | <b>7,549</b>           | 4,178          |
| — Interest income on loans to third parties |  | <b>65,616</b>          | 24,312         |
| — Net foreign exchange gain                 |  | <b>1,154</b>           | —              |
|   |  | <u><b>74,319</b></u>   | <u>28,490</u>  |
| Finance expenses                            |  |                        |                |
| — Interest on interest-bearing borrowings   |  | <b>(16,368)</b>        | —              |
| — Net foreign exchange loss                 |  | <b>—</b>               | (1,838)        |
| — Bank charges and others                   |  | <b>(1,122)</b>         | (556)          |
|   |  | <u><b>(17,490)</b></u> | <u>(2,394)</u> |
|   |  | <u><b>56,829</b></u>   | <u>26,096</u>  |

## 7. INCOME TAX

|  | <b>2018</b>     | 2017     |
|--|-----------------|----------|
|  | <b>RMB'000</b>  | RMB'000  |
| <b>Current tax</b>                               |                 |          |
| PRC Enterprise Income Tax                        |                 |          |
| Provision for the year                           | <b>174,661</b>  | 174,555  |
| Under-provision in respect of prior years        | <b>1,140</b>    | 493      |
|  | <b>175,801</b>  | 175,048  |
| <b>Deferred tax</b>                              |                 |          |
| Reversal and origination of temporary difference | <b>(82,125)</b> | (81,084) |
|  | <b>93,676</b>   | 93,964   |

- (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% (2017: 25%).
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (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 profit subject to Hong Kong Profits Tax during the year.

## 8. 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 2018 (2017: 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 (2017: Nil).

## 9. 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 RMB360,901,000 (2017: loss of RMB127,050,000) and the weighted average of 49,908,440,000 ordinary shares (2017: 43,966,100,000 ordinary shares) in issue during the reporting period. The weighted average number of shares outstanding during the year ended 31 December 2017 was not adjusted to reflect the issuance of shares under rights issue, calculated as follows:

*Weighted average number of ordinary shares*

|  | <b>2018</b><br><b>'000</b> | 2017<br><b>'000</b>      |
|--|----------------------------|--------------------------|
| Issued ordinary shares at 1 January                              | <b>43,966,100</b>          | 43,966,100               |
| Effect of shares issued under rights issue                       | <b>6,070,936</b>           | –                        |
| Effect of shares held for share award scheme                     | <b>(128,596)</b>           | –                        |
|  | <hr/>                      | <hr/>                    |
| <b>Weighted average number of ordinary shares at 31 December</b> | <b><u>49,908,440</u></b>   | <b><u>43,966,100</u></b> |

During the years ended 31 December 2018 and 2017, diluted loss per share is calculated on the same basis as basic loss per share.

## 10. INVESTMENT PROPERTIES

|                            | <i>Note</i> | <i>RMB'000</i>        |
|----------------------------|-------------|-----------------------|
| <b>At fair value:</b>      |             |                       |
| <b>At 31 December 2017</b> |             | –                     |
| Acquisition of business    | 4           | 433,000               |
| Fair value adjustment      |             | <u>13,500</u>         |
| <b>At 31 December 2018</b> |             | <b><u>446,500</u></b> |

*Notes:*

- (i) All the investment properties owned by the Group are located in the PRC.
- (ii) At 31 December 2018, investment properties with an aggregate carrying value of RMB441,762,000, were pledged as securities for interest-bearing borrowings.

## 10. INVESTMENT PROPERTIES (Continued)

### Fair value measurement of investment properties

#### (i) Fair value hierarchy

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

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

|   | <b>Fair value<br/>measurements<br/>categorised into<br/>Level 3<br/>2018<br/>RMB'000</b> |
|---|--|
| Recurring fair value measurement<br>Investment properties:<br>— PRC | <b><u>446,500</u></b>  |

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

All investment properties of the Group were revalued at 31 December 2018. The valuations were carried out by an independent firm of surveyors, BMI Appraisals Limited, who has among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The management of the Group have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting period.

#### (ii) Information about Level 3 fair value measurements

|                             | <b>Valuation<br/>techniques</b> | <b>Unobservable<br/>input</b>    | <b>Weighted<br/>average</b> |
|-----------------------------|---------------------------------|----------------------------------|-----------------------------|
| Investment properties — PRC | Discounted<br>cash flow         | Risk-adjusted<br>discount rate   | 11.1%                       |
|                             |                                 | Expected market<br>rental growth | 2.5%                        |

## 10. INVESTMENT PROPERTIES (Continued)

### Fair value measurement of investment properties (Continued)

#### (ii) Information about Level 3 fair value measurements (Continued)

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

## 11. INTANGIBLE ASSETS

|                                  | <b>Favourable<br/>term lease<br/>contract<br/>Note<br/>RMB'000</b> | <b>Others<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|----------------------------------|--|---------------------------|--------------------------|
| <b>Cost:</b>                     |  |                           |                          |
| At 1 January 2017                | 6,486,667  | 12,613                    | 6,499,280                |
| Exchange reserve                 | —  | (827)                     | (827)                    |
| <b>At 31 December 2017</b>       | <u>6,486,667</u>   | <u>11,786</u>             | <u>6,498,453</u>         |
| At 1 January 2018                | 6,486,667  | 11,786                    | 6,498,453                |
| Exchange reserve                 | —  | 568                       | 568                      |
| <b>At 31 December 2018</b>       | <u>6,486,667</u>   | <u>12,354</u>             | <u>6,499,021</u>         |
| <b>Accumulated amortisation:</b> |  |                           |                          |
| At 1 January 2017                | (464,730)  | —                         | (464,730)                |
| Charge for the year              | (324,333)  | —                         | (324,333)                |
| <b>At 31 December 2017</b>       | <u>(789,063)</u>   | <u>—</u>                  | <u>(789,063)</u>         |
| At 1 January 2018                | (789,063)  | —                         | (789,063)                |
| Charge for the year              | (324,333)  | —                         | (324,333)                |
| <b>At 31 December 2018</b>       | <u>(1,113,396)</u>   | <u>—</u>                  | <u>(1,113,396)</u>       |
| <b>Net book value:</b>           |  |                           |                          |
| <b>At 31 December 2017</b>       | <u>5,697,604</u>   | <u>11,786</u>             | <u>5,709,390</u>         |
| <b>At 31 December 2018</b>       | <u>5,373,271</u>   | <u>12,354</u>             | <u>5,385,625</u>         |

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

## 11. INTANGIBLE ASSETS (Continued)

*Note:* 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 (2017: RMB324,333,000) is included in other operating expenses in the consolidated statement of profit or loss.

## 12. GOODWILL

|  | <i>Note</i> | <i>RMB'000</i>            |
|--|-------------|---------------------------|
| <b>Cost:</b>   |             |                           |
| At 1 January 2017, 31 December 2017 and 1 January 2018   |             | 1,519,330                 |
| Addition acquired through Acquisition of Business        | 4           | <u>708,146</u>            |
| <b>At 31 December 2018</b>                               |             | <u><u>2,227,476</u></u>   |
| <b>Accumulated impairment losses:</b>                    |             |                           |
| At 1 January 2017, 31 December 2017 and 31 December 2018 |             | <u><u>(1,132,950)</u></u> |
| <b>Carrying amount:</b>                                  |             |                           |
| At 31 December 2017                                      |             | <u><u>386,380</u></u>     |
| <b>At 31 December 2018</b>                               |             | <u><u>1,094,526</u></u>   |

At 31 December 2018, goodwill, which arose from the acquisition of agriculture wholesale markets business which was completed on 27 July 2015 and the acquisition of the Hangzhou Business which was completed on 24 July 2018, amounted to RMB386,380,000 and RMB708,146,000, respectively. The agriculture wholesale markets business acquired in 2015 and the Hangzhou Business are identified as two separate cash-generating units, the recoverable amounts of which are 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 forecasts 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% for the agriculture wholesale markets business acquired in 2015 and the Hangzhou Business, which is consistent with the forecasts included in industry reports. The cash flows are discounted using a discount rate of 15.44% and 11.1% for the agriculture wholesale markets business acquired in 2015 and the Hangzhou Business, respectively. The discount rates used are pre-tax and reflect specific risks relating to the business.

### 13. TRADE AND OTHER RECEIVABLES

|   | <i>Note</i> | <b>2018</b><br><i>RMB'000</i> | 2017<br><i>RMB'000</i> |
|---|-------------|-------------------------------|------------------------|
| Amounts due from related parties                  |             | <b>400,048</b>                | 9,190                  |
| Loan to third parties                             | <i>(i)</i>  | <b>572,274</b>                | 687,920                |
| Receivable for disposal of property and equipment |             | <b>181,794</b>                | –                      |
| Others  |             | <b>101,824</b>                | 67,546                 |
|   |             | <b><u>1,255,940</u></b>       | <b><u>764,656</u></b>  |

(i) Loans to third parties

At 31 December 2018, loans to third parties are unsecured with principal ranging from HKD50 million to HKD400 million each, which are subject to a fixed interest rate of 9% to 22% per annum. All of the balances at 31 December 2018 had been fully settled up till the date of issuance of these financial statements.

### 14. TRADE AND OTHER PAYABLES

|  | <i>Note</i> | <b>2018</b><br><i>RMB'000</i> | 2017<br><i>RMB'000</i> |
|--|-------------|-------------------------------|------------------------|
| Construction payables                            | <i>(i)</i>  | <b>82,885</b>                 | 74,483                 |
| Other taxes payable                              |             | <b>5,261</b>                  | 6,456                  |
| Amounts due to related parties                   |             | <b>10,892</b>                 | 3,760                  |
| Salary and welfare expenses payable              |             | <b>65,893</b>                 | 23,947                 |
| Professional service fee payables                |             | <b>6,302</b>                  | 3,800                  |
| Others   |             | <b>33,931</b>                 | 4,336                  |
| Financial liabilities measured at amortised cost |             | <b><u>205,164</u></b>         | <u>116,782</u>         |
| Receipts in advance                              |             | <b>79,809</b>                 | 162,786                |
| Deposits   | <i>(ii)</i> | <b>381,865</b>                | 121,934                |
|  |             | <b><u>666,838</u></b>         | <b><u>401,502</u></b>  |

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

|                                  | <b>2018</b><br><i>RMB'000</i> | 2017<br><i>RMB'000</i> |
|----------------------------------|-------------------------------|------------------------|
| Due within one year or on demand | <b><u>82,885</u></b>          | <u>74,483</u>          |

(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.

## 15. SHARE CAPITAL

|  | 2018                        |                | 2017                        |                |
|--|-----------------------------|----------------|-----------------------------|----------------|
|  | Number of<br>Shares<br>'000 | RMB'000        | Number of<br>Shares<br>'000 | RMB'000        |
| <b>Authorised:</b>                     |                             |                |                             |                |
| Ordinary shares of HKD0.01 each        | <u>150,000,000</u>          |                | <u>80,000,000</u>           |                |
| <b>Issued and fully paid:</b>          |                             |                |                             |                |
| At 1 January                           | 43,966,100                  | 366,604        | 43,966,100                  | 366,604        |
| Issue of shares under rights issue (i) | <u>13,189,830</u>           | <u>112,190</u> | –                           | –              |
| At 31 December                         | <u>57,155,930</u>           | <u>478,794</u> | <u>43,966,100</u>           | <u>366,604</u> |

- (i) During the year ended 31 December 2018, the Group proposed issuance of right shares at a subscription price of HKD0.163 each on the basis of three right share for every ten existing shares held on 8 June 2018 (the “Rights Issue”). On 17 July 2018, a total number of 13,189,830,130 shares, with per value of HKD0.01 each, had been issued.

## 16. FOREIGN CURRENCY RISK TO THE FINANCIAL STATEMENTS

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.

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.



## 16. FOREIGN CURRENCY RISK TO THE FINANCIAL STATEMENTS (Continued)

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) |                       |                       |                       |                       |                       |
|--|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 2018  |                       |                       | 2017                  |                       |                       |
|  | USD<br><i>RMB'000</i>                               | HKD<br><i>RMB'000</i> | RMB<br><i>RMB'000</i> | USD<br><i>RMB'000</i> | HKD<br><i>RMB'000</i> | RMB<br><i>RMB'000</i> |
| Cash at bank and on hand                                       | <b>28,830</b>                                       | <b>175</b>            | <b>547</b>            | 32,084                | 167                   | 547                   |
| Net exposure arising from<br>recognised assets and liabilities | <b>28,830</b>                                       | <b>175</b>            | <b>547</b>            | 32,084                | 167                   | 547                   |

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.

|               | 2018  |  | 2017  |  |
|---------------|---|--|---|--|
|               | Increase/<br>(decrease) in<br>foreign<br>exchange rates | Increase/<br>(decrease) in<br>profit after tax<br>( <i>RMB'000</i> ) | Increase/<br>(decrease) in<br>foreign<br>exchange rates | Increase/<br>(decrease) in<br>profit after tax<br>( <i>RMB'000</i> ) |
| HKD — USD     | <b>0.4%</b><br><b>(0.4%)</b>                            | <b>(1)</b><br><b>1</b>   | 0.4%<br>(0.4%)  | (17)<br>17   |
| HKD — RMB     | <b>5%</b><br><b>(5%)</b>                                | <b>(27)</b><br><b>27</b>   | 5%<br>(5%)  | (27)<br>27   |
| RMB — HKD/USD | <b>5%</b><br><b>(5%)</b>                                | <b>(1,078)</b><br><b>1,078</b>                                       | 5%<br>(5%)  | (1,051)<br>1,051   |

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.

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

### Business Review

#### *Acquisitions*

During the year of 2018, the Group announced and our shareholders have approved (i) the acquisition of 3 agriculture wholesale markets in Hangzhou for a consideration of HKD1.47 billion from an independent third party (the “Hangzhou Acquisition”); and (ii) acquisition from an associate of our controlling shareholders for the land and properties on which the then 7 existing agriculture wholesale markets of the Group operated, for a consideration of RMB5.4 billion (the “Hada Acquisition”).

Completion of the Hangzhou Acquisition took place on 24 July 2018 while completion of the Hada Acquisition is still pending on satisfaction (or waiver, if applicable) of all conditions precedent as at the date of this announcement. The original long stop date for the completion of the Hada Acquisition was 31 December 2018 and the parties to the Hada Acquisition have agreed to extend such long stop date to 30 June 2019. Announcement for this extension has been made on 27 December 2018.

With the completion of the Hangzhou Acquisition in July 2018, the Group operated 10 agriculture wholesale markets in 7 cities in China as at 31 December 2018.

Details of each market are set out in the next section headed “Financial Review”.

#### *Potential acquisition*

The Company also made an announcement on 11 September 2018 in respect of a potential acquisition of the equity stake in a company (the “Target Company”) held by an associate of our controlling shareholder. The Target Company is principally engaged in the agriculture product wholesale and retail operations in China.

For the purpose of this potential acquisition, a non-legally binding memorandum of understanding was entered into among a subsidiary of the Company (the “Purchaser”), an associate of our controlling shareholder (the “Potential Seller”) and the Target Company, pursuant to which the Group has paid an aggregate sum of RMB400 million as deposit to the Potential Seller and the Target Company (the “Deposit”) in return for a 180-day exclusive period (the “Exclusivity Period”) for considering this acquisition. Deposit made would be fully refundable if no formal agreement could be reached upon expiry of the Exclusivity Period or if the potential acquisition could not complete.

On 7 March 2019, a further announcement was made to extend the Exclusivity Period for another 180 days (the “Extension”). No further deposit was made for the Extension and the Deposit paid is still being held by the Potential Seller and the Target Company respectively. As at the date of this announcement, the Group is still considering this potential acquisition and no formal agreement has been entered into so far.

## FINANCIAL REVIEW

### 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.

With the consolidation of the Hangzhou markets after the completion of acquisition on 24 July 2018, the Group recorded a consolidated revenue of approximately RMB1,128.7 million (2017: RMB988.1 million), representing an increase of about 14.2% when compared with that of last year. The commission income increased by 9.7% to RMB810.6 million in this year as compared to RMB738.9 million in last year while the lease income also increased by 27.7% to RMB318.1 million in this year as compared to RMB249.2 million in last year.

|                   | <b>2018</b>           | 2017                | Change              | Change   |
|-------------------|-----------------------|---------------------|---------------------|----------|
|                   | <i>RMB' million</i>   | <i>RMB' million</i> | <i>RMB' million</i> | <i>%</i> |
| Commission income | <b>810.6</b>          | 738.9               | 71.7                | 9.7      |
| Lease income      | <b>318.1</b>          | 249.2               | 68.9                | 27.7     |
| <b>Total</b>      | <b><u>1,128.7</u></b> | <u>988.1</u>        | <u>140.6</u>        | 14.2     |

The analysis by agriculture wholesales market:

|   | <i>Note</i> | <b>2018</b>           | 2017                | Change              | Change   |
|---|-------------|-----------------------|---------------------|---------------------|----------|
|   |             | <i>RMB' million</i>   | <i>RMB' million</i> | <i>RMB' million</i> | <i>%</i> |
| Harbin Hada Agricultural Produce Market                 |             | <b>287.5</b>          | 304.5               | (17.0)              | (5.6)    |
| Qiqihar Hada Agricultural Produce Market                | <i>i</i>    | <b>30.3</b>           | 77.0                | (46.7)              | (60.6)   |
| Muda International Agricultural Produce Logistics Park  |             | <b>42.1</b>           | 44.0                | (1.9)               | (4.2)    |
| Harbin Youyi Agricultural Produce Market                |             | <b>23.8</b>           | 21.9                | 1.9                 | 8.8      |
| Shenyang Shouguang Dili Agricultural By-Products Market | <i>ii</i>   | <b>290.2</b>          | 253.4               | 36.8                | 14.5     |
| China Shouguang Agricultural Produce Logistic Park      |             | <b>146.7</b>          | 137.9               | 8.8                 | 6.4      |
| Hangzhou Fruit-products Market                          |             | <b>66.9</b>           | –                   | 66.9                | –        |
| Hangzhou Vegetable Market                               |             | <b>60.4</b>           | –                   | 60.4                | –        |
| Hangzhou Seafood Market                                 |             | <b>28.4</b>           | –                   | 28.4                | –        |
| Guiyang Agricultural Produce Logistic Park              |             | <b>152.4</b>          | 149.4               | 3.0                 | 2.0      |
| <b>Total</b>  |             | <b><u>1,128.7</u></b> | <u>988.1</u>        | <u>140.6</u>        | 14.2     |

Notes:

- i. The drop of revenue was due to keen competition in Qiqihar City during the year.
- ii. The increase in revenue arose from improvement of sales mix with 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 (Expenses)/Income**

Other income mainly comprised market service fee of RMB126.8 million (2017: RMB117.7 million). In this year, there is a loss on disposal of property and equipment amounting to RMB189.2 million which were mainly due to disposal of two aircrafts. The disposal could save significant expenses incurred from the maintenance and usage of the aircrafts. This caused an one-off impact on earnings of this year but is expected to be beneficial to the company in the long run.

## **Administration expenses**

Administration expenses mainly comprised staff cost, depreciation and trip expenses. The total amount of depreciation and maintenance cost of the two aircrafts were RMB96.3 million (2017: RMB87.7 million). The increase was due to the acquisition of Hangzhou operations in July 2018 and more professional fee was incurred for the acquisition and rights issue exercise in this year.

## **Other operating expenses**

Other operating expenses mainly consisted of amortization of intangible assets of RMB324.3 million (2017: RMB324.3 million) arose from the acquisition of the agriculture business and the operating lease expenses of RMB128.6 million (2017: RMB118.2 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. The increase was mainly due to the acquisition of Hangzhou operations in July 2018.

## **Finance income**

Finance income mainly represented the interest income earned from bank deposits and loans to third parties. The increase was mainly due to improvement of cash flow and there is excess funding for the Group.

## **Finance expenses**

Finance expenses mainly represented bank interest and charges. The increase was due to the bank loan interest expenses of the Hangzhou operations acquired in this year.

## **Liquidity and Financial Resources**

The Group has net cash position and strong financial resources to support its working capital and future expansion. On 17 July 2018, the Company completed the rights issue of 13,189,830,130 new shares of the Company at the subscription price of HKD0.163 per share. The net proceeds, after deducting all relevant expenses, raised from the rights issue were approximately HKD2.11 billion. Part of the proceeds have been used to settle the acquisition of the Hangzhou operations.

## **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 its future financial liquidity.

Details of the Group's exposure to fluctuations in exchange rates and related hedges are included in note 16 — Foreign currency risk to the Financial Statements of this Announcement.

## **Charges on Assets**

As at 31 December 2018, certain of properties, which had an aggregate carrying value of RMB1,289,532,000, were pledged as securities for interest-bearing borrowings.

## **Capital Commitment**

As at 31 December 2018, the future capital expenditure for which the Group had contracted but not provided for in respect of continuing operation amounted to approximately RMB16.8 million (as at 31 December 2017: amounted to RMB16.6 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 2017: amounted to approximately nil).

## **Gearing Ratio**

The gearing ratio as at 31 December 2018, which is calculated by dividing the total interest-bearing borrowings by total assets was 4.93% (as at 31 December 2017: Nil).

## **Human Resources**

As at 31 December 2018, the Group employed 2,668 staff (as at 31 December 2017: 2,009 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 2018 was approximately RMB349.2 million as compared with RMB249.7 million for the year ended 31 December 2017. 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 2018 (2017: Nil).

## **PROSPECTS**

In the past few years, the State has been emphasizing the importance of the circulation system of agriculture products and fresh products and had announced vast number of development plans, targets and measures in these aspects, including building of agriculture and fresh food products markets, development of advanced distribution system and logistics for agriculture products, informatization of the agriculture sector, development of agriculture products processing and more importantly, source tracking of agriculture products.

In the past year, the Group had conducted various market research and feasibility studies and had rounds of discussions among its senior management in order to come up with a new business model and business strategies. We believe, which is also commonly recognized by the markets, that China's fresh food circulation industry is the next "Blue Ocean" in China. We saw vast number of foreign and domestic investments in this sector, including the most popular fresh product e-commerce in the past 2 years.

Our long-term goal is to utilize our existing agriculture wholesale markets, our customer resources and our industry expertise to build a "Production-Distribution/Wholesale-Retail" all-in-one fresh agriculture products circulation platform. The Group is determined to revolutionize its business model and transform itself of being a "traditional property developer for fresh agriculture products" to "an advanced fresh food circulation service provider and supplier" in China. To achieve this transformation, the Group will invest and establish a modernized electronic trading system in the wholesale markets it operates. In addition, instead of simply providing trading platform for our customers, the Group will start providing different kinds of ancillary and value-added services to better serve them. In this new business model, the Group will emphasize on 4 main areas, namely services, technology, co-sourcing strategies and product quality and safety.

## **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 2018.

## **SHARE AWARD SCHEME**

A share award scheme was adopted by the Board on 28 August 2018 (the "Share Award Scheme") to (i) recognize the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group. An independent third party has been appointed as a trustee (the "Trustee") under the Share Award Scheme.

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the date of its adoption. Pursuant to the Share Award Scheme, the Trustee will purchase existing shares of the Company from the market or subscribe for new shares from the Company out of cash contributed by the Group and such shares will be held on trust for selected employees until such awarded shares are vested with the relevant selected employees. Vested shares will be transferred to the selected employees at no cost. At no point in time shall the Trustee be holding more than 5% of the total number of shares of the Company in issue under the Share Award Scheme. Details of the rules of the Share Award Scheme were set out in the announcement of the Company dated 28 August 2018.

Up to 31 December 2018, the Trustee had purchased a total of 633,844,000 existing shares of the Company from the market with a total cost of approximately RMB138.8 million. During the year, no shares were issued under the Share Award Scheme and no shares were granted to any selected employees under the Share Award Scheme.

## **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 two independent non-executive directors and one non-executive director. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2018.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions in the Code throughout the year ended 31 December 2018, 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 basis to understand their concerns and to discuss pertinent issues.

### **Code Provision E.1.2**

Under this code provision, the chairman of the board should attend the annual general meeting (“AGM”). Mr. Dai Yongge, the then Chairman of the Board was unable to attend the AGM of the Company held on 27 June 2018 due to other business commitments. In absence of the Chairman, Mr. Wang Hongfang, a then 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 2018.

## **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 2018 in relation to their securities dealings, if any.

By order of the Board  
**Renhe Commercial Holdings Company Limited**  
**Wang Yan**  
*Chairman*

Hong Kong, 28 March 2019

*As at the date of this announcement, the Board consists of Mr. Wang Yan and Mr. Dai Bin as executive directors, Mr. Yin Jianhong and Ms. Yang Yuhua as non-executive directors and Mr. Fan Ren-Da, Anthony, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man as independent non-executive directors.*