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(formerly known as 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)

ANNOUNCEMENT

**(1) MAJOR AND CONNECTED TRANSACTION IN RELATION
TO THE PROPOSED AMENDMENT TO HADA ACQUISITION;**

**(2) CONNECTED TRANSACTION IN RELATION
TO THE SHOUGUANG FRAMEWORK LEASE AGREEMENT;**

AND

**(3) PROPOSED GRANT OF SPECIFIC MANDATE
FOR THE CONVERSION SHARES**

BACKGROUND

On 5 June 2018, the Company, Yield Smart (a wholly-owned subsidiary of the Company) and New Amuse entered into the Hada Acquisition Agreement under which Yield Smart conditionally agreed to acquire as purchaser and New Amuse conditionally agreed to sell as vendor, the Original Hada Target Group. The Original Hada Target Group comprises among others, nine PRC Landlord Entities which together hold the land and properties for seven agriculture wholesale markets operated by the Group.

* For identification purpose only

Pursuant to the terms of the Hada Acquisition Agreement, the completion of the Original Acquisition is conditional on the satisfaction (or waiver, if applicable) of the conditions precedent contained therein on or before 31 December 2018 or such later date to be agreed by the parties. The Original Acquisition however, did not complete as the Company was informed by the Vendor that the condition precedent in relation to the settlement of all accounts receivables from and payables to New Amuse and its associates and bank borrowings of the Original Hada Target Group were yet to be satisfied and further time was required to satisfy such condition precedent. The long stop date of the Original Acquisition had been postponed by the parties on various occasions and eventually to 30 April 2020.

As at the date of this announcement, the condition precedent in relation to the settlement of all accounts receivables from and payables to New Amuse and its associates and bank borrowings of the Original Hada Target Group remain unsatisfied and certain pledges over certain land and properties of the Shouguang Landlord Entity, remain unreleased. With the aim of completing the Original Acquisition and based on the negotiations between the parties, the Shouguang Landlord Entity holding the land and properties on which the Shouguang Market operates will be excluded from the Hada Acquisition and accordingly, the Revised Hada Target Group, which has carved out the Excluded Asset, and accordingly the land and properties it holds, will comprise among others, only eight PRC Landlord Entities and the land and properties they hold in six markets.

In light of the above, the parties decided to enter into the Deed of Amendment and the Shouguang Framework Lease Agreement to implement the Hada Acquisition.

THE TRANSACTIONS

(1) The Deed of Amendment

On 27 April 2020, after trading hours, the Company, Yield Smart and New Amuse entered into the Deed of Amendment to amend certain terms and conditions of the Hada Acquisition Agreement including the scope of the Original Hada Target Group, the Hada Consideration and the conditions precedent of the Hada Acquisition Agreement.

The Original Hada Target Group comprises nine PRC Landlord Entities which together hold the land and properties for the operation of the seven Markets. After taking into account of, among others, the non-satisfaction of the condition precedent in relation to the settlement of all accounts receivables from and payables to New Amuse and its associates and bank borrowings of the Original Hada Target Group and certain pledges over certain land and properties of the Shouguang Landlord Entity remain unreleased. The parties therefore sought to revise the scope of the Original Hada Target Group by excluding the Shouguang Landlord Entity from the Original Hada Target Group. Under the Deed of Amendment, the Revised Hada Target Group shall carve out the Excluded Asset, and include among others, only eight PRC Landlord Entities and the land and properties they hold in six markets.

The Revised Hada Consideration for the Hada Acquisition is RMB4.0 billion (equivalent to approximately HK\$4.4 billion), which shall be fully settled at the Hada Completion by the issuance of the Convertible Bond by the Company. The principal terms of the Convertible Bond will be adopted from the Original Convertible Bond, with necessary amendments to among others, reflect the Revised Hada Consideration and the effect of the Share Consolidation.

(2) Shouguang Framework Lease Agreement

For the purpose of continuing the operations of the Shouguang Market subsequent to the Hada Completion, on 27 April 2020, Able Vantage (a wholly-owned subsidiary of the Vendor) entered into the Shouguang Framework Lease Agreement with Sure Cheer (a wholly-owned subsidiary of the Company) in respect of the leasing of land and properties for the operations of the Shouguang Market. The lessee and the lessor shall procure, unless otherwise agreed, the Shouguang Operating Company and the Shouguang Landlord Entity, respectively, to enter into lease contract(s) for the leasing of the relevant properties (including land and buildings) in the PRC which are held by the Shouguang Landlord Entity and necessary for the on-going operations of the Shouguang Market.

(3) Proposed Grant of Specific Mandate

The Company will seek the approval from the Independent Shareholders for the granting of the Specific Mandate at the EGM for the purpose of the issuance of the Conversion Shares convertible from the Convertible Bond.

LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined under the Listing Rules) exceed 25% but are all less than 100%, the Hada Acquisition no longer constitutes a very substantial acquisition, unlike the Original Acquisition as stated in the 2018 Circular, but instead constitutes a major transaction and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

With respect to the entering into of the Shouguang Framework Lease Agreement, as Able Vantage is indirectly wholly-owned by New Amuse, Able Vantage is a connected person of the Company under the Listing Rules and the entering into of the Shouguang Framework Lease Agreement between Able Vantage and Sure Cheer (a wholly-owned subsidiary of the Company) constitutes a connected transaction of the Group. With the adoption of IFRS 16, the lease under the Shouguang Framework Lease Agreement will be recognised by the Group as right-of-use assets and classified as an acquisition of assets by the Group pursuant to the Listing Rules and hence, the Shouguang Framework Lease Agreement will be treated as a one-off connected transaction under the Listing Rules. As all applicable percentage ratios for the Shouguang Framework Lease Agreement are less than 5%, the connected transaction is exempt under Rule 14A.76 of the Listing Rules from circular and Independent Shareholders' approval requirements.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors will be, having taken into account the advice from an independent financial adviser to be appointed, advising the Independent Shareholders as to whether the terms and conditions of the Hada Acquisition (including the Convertible Bond) and the proposed grant of the Specific Mandate are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders on how to vote. None of the members of the Independent Board Committee is directly or indirectly interested or involved in the Hada Acquisition and the Specific Mandate and the transactions contemplated thereunder.

INDEPENDENT FINANCIAL ADVISER

Subject to the approval of the Independent Board Committee, the Company will appoint an independent financial adviser in due course to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Hada Acquisition (including the Convertible Bond) and the proposed grant of the Specific Mandate are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

GENERAL

As there had been changes to the terms of the Original Acquisition, including the scope of the Original Hada Target Group, the Hada Consideration and the conditions precedent of the Hada Acquisition Agreement since the extraordinary general meeting of the Company held on 20 July 2018, a separate EGM will be convened at which ordinary resolution(s) will be proposed for the Independent Shareholders to consider, and, if thought fit, to approve, among others, the terms of the Hada Acquisition (including the Convertible Bond) and the proposed grant of the Specific Mandate and the transactions contemplated thereunder. Mr. Dai (the controlling Shareholder and the spouse of Ms. Zhang), Ms. Zhang (who controls New Amuse) and their respective associates (including New Amuse) will abstain, and any person who has a material interest in the Hada Acquisition and the proposed grant of the Specific Mandate is required to abstain, from voting on the relevant resolutions at the EGM.

A circular containing, amongst other information, (i) further information on the terms of the Hada Acquisition; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders as to whether the terms and conditions of the Hada Acquisition (including the Convertible Bond) and the proposed grant of the Specific Mandate are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations from an independent financial adviser to be appointed; (iii) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iv) the accountant's report of the Revised Hada Target Group, the business valuation report and the property valuation report on the Revised Hada Target Group; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 31 May 2020 as more time is required to prepare the circular.

WARNING

Shareholders and potential investors should note that the Hada Acquisition are subject to various conditions as stated in the section headed "Letter from the Board — B. The Acquisitions — (I) The Hada Acquisition — Conditions Precedent" in the 2018 Circular and the paragraph headed "II. The Amendments — (1) The Deed of Amendment — (C) Revised Conditions Precedent" in this announcement and therefore the Hada Acquisition may or may not complete. As such, Shareholders and potential investors are urged to exercise caution when dealing in the Shares.

I. BACKGROUND

References are made to the announcement of the Company dated 5 June 2018, the circular of the Company dated 29 June 2018 in relation to, among others, the Hada Acquisition, and the time extension announcements dated 27 December 2018, 26 June 2019, 30 September 2019 and 27 December 2019 in relation to the Hada Completion. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the 2018 Circular.

Non-satisfaction of original conditions precedent under the Original Acquisition

On 5 June 2018, the Company, Yield Smart and New Amuse entered into the Hada Acquisition Agreement under which Yield Smart conditionally agreed to acquire as purchaser and New Amuse conditionally agreed to sell as vendor, the entire issued share capital of the Hada Target Company, which in turn holds various subsidiaries, including the Shouguang Landlord Entity. The Original Hada Target Group comprises among others, nine PRC Landlord Entities which together hold the land and properties for the operation of the seven Markets. Pursuant to the terms of the Hada Acquisition Agreement, the completion of the Original Acquisition is conditional on the satisfaction (or waiver, if applicable) of the conditions precedent contained therein on or before 31 December 2018 or such later date to be agreed by the parties. The Original Acquisition however, did not complete as the Company was informed by the Vendor that the condition precedent in relation to the settlement of all accounts receivables from and payables to New Amuse and its associates and bank borrowings of the Original Hada Target Group were yet to be satisfied and further time was required to satisfy such condition precedent. The long stop date of the Original Acquisition had been postponed by the parties on various occasions and eventually to 30 April 2020.

Since the original long stop date of 31 December 2018 had been extended for over one year, the Company and New Amuse had been in discussions for an alternative means to achieve completion of the Original Acquisition, which is by revising the scope of the Original Hada Target Group in order to achieve the Hada Completion and to bring in the benefits expected from the Hada Acquisition to the Company.

Exclusion of the Shouguang Landlord Entity and its land and properties

As at the date of this announcement, the condition precedent in relation to the settlement of all accounts receivables from and payables to New Amuse and its associates and bank borrowings of the Original Hada Target Group remain unsatisfied and certain pledges over certain land and properties of the Shouguang Landlord Entity remain unreleased. The parties therefore sought to revise the scope of the Original Hada Target Group by excluding the Shouguang Landlord Entity from the Original Hada Target Group.

As of the date of this announcement, the Group currently operates ten agriculture wholesale markets across China, the operating rights of seven of these markets were the subject matter acquired in the 2015 Transaction. Since completion of the 2015 Transaction, these Markets (which include the Shouguang Market) have been operated by PRC Operating Companies of the Group on land and properties which are currently leased from the Vendor under the Framework Lease Agreement. The Vendor owns such land and properties on which the Markets situate indirectly through nine PRC Landlord Entities, including the Shouguang Landlord Entity which holds the land and properties of the Shouguang Market. Based on the negotiations between the parties to the Hada Acquisition and for reasons referred to above, the Shouguang Landlord Entity holding the land and properties on which the Shouguang Market operates will be excluded from the Hada Acquisition and accordingly, the Revised Hada Target Group which has

carved out the Excluded Asset, and also the land and properties it holds, will comprise among others, only eight PRC Landlord Entities and the land and properties they hold in six markets.

Continuous operation of the Shouguang Market by the Group

As a result of carving out the Excluded Asset and for the purpose of continuing the operations of the Shouguang Market by the Group subsequent to the Hada Completion, the Company, through its subsidiary, has entered into the Shouguang Framework Lease Agreement with the Vendor, through its subsidiary, in respect of the leasing of the land and properties for the operations of the Shouguang Market in the Shandong Province, the PRC. For details of the lease agreement, please refer to the section headed “II. The Amendments — (3) The Shouguang Framework Lease Agreement and the Termination of the Framework Lease Agreement” in this announcement.

Amendment of terms of the Original Acquisition

In light of the above, on 27 April 2020, the parties entered into a Deed of Amendment, which have been reached after arm’s length negotiations among the parties, under which the parties have agreed to amend certain terms and conditions under the Hada Acquisition Agreement in order to facilitate the Hada Completion, including the scope of the Hada Target Group, the Hada Consideration and the conditions precedent of the Hada Acquisition Agreement. The principal terms of the Deed of Amendment are set out in the section headed “II. The Amendments — (1) The Deed of Amendment” in this announcement.

II. THE AMENDMENTS

(1) THE DEED OF AMENDMENT

The principal terms of the Deed of Amendment are set out below:

Date: 27 April 2020

Parties: Yield Smart, a wholly-owned subsidiary of the Company, as purchaser
the Company
New Amuse, as vendor

The Deed of Amendment is conditional upon the obtaining of the Independent Shareholders’ approval in the EGM on or before 31 December 2020.

Subject matters to be amended mainly include:

(A) Revised Hada Target Group

In connection with restructuring the Original Hada Target Group to carve out the Excluded Asset, the Original Hada Target Group will be revised in its scope from comprising among others, originally nine PRC Landlord Entities to comprising

among others, eight PRC Landlord Entities. Please also refer to the section headed “III. Information of Revised Hada Target Group” for details on the scope of the Revised Hada Target Group.

(B) Revised Hada Consideration

The revised consideration payable by the Company to the Vendor pursuant to the Deed of Amendment is RMB4.0 billion (equivalent to approximately HK\$4.4 billion), which shall be fully settled by the issuance of the Convertible Bond by the Company. Details of the amendment to the Convertible Bond are set out in the section headed “II. The Amendments — (2) Principal Terms of The Convertible Bond” in this announcement.

Basis of the Revised Hada Consideration

(i) Basis of the Hada Consideration in the Original Acquisition

As disclosed in the 2018 Circular, the Hada Consideration in the Original Acquisition of RMB5.4 billion was arrived at by giving due considerations to (i) the appraised equity value of the Original Hada Target Group, taking into account the preliminary business valuation as at 28 February 2018 of approximately RMB12.0 billion by an Independent Professional Valuer; (ii) the intangible asset value and goodwill as at 31 December 2017 of RMB6.1 billion, associated with the acquisition of the PRC Operating Companies by the Company in the 2015 Transaction and (iii) the land and property valuation as at 31 March 2018 of approximately RMB6.9 billion by an Independent Professional Valuer. The Hada Consideration represented 8.5% discount to the difference in amount between (i) and (ii), also referred to as the Hada Target Group Valuation in the 2018 Circular which was a business valuation of the Original Hada Target Group.

Other benchmarks of (i) RNAV of approximately RMB6.8 billion and (ii) Alternative RNAV (after considering the relevant intangible assets and goodwill) of approximately RMB6.4 billion and how they were derived were also presented in the 2018 Circular to illustrate the reasonableness and fairness of the Hada Consideration in 2018. After taking into account the RNAV and the Alternative RNAV, the Hada Consideration was considered to be fair and reasonable and in the interests of the Company.

(ii) Basis of the Revised Hada Consideration adopting the same basis of the Hada Consideration with adjustments and updates

The Revised Hada Consideration was determined after arm’s length negotiations between the parties by:

- (a) adopting the same basis of the Hada Consideration in the Original Acquisition with reference to the then financials and valuations on properties as disclosed in the 2018 Circular, but adjusted to reflect the carving-out of the Excluded Asset; and

- (b) updating (a) above with reference to the latest financials and valuations on properties.

The adjustments referred to in (a) above are made to reflect the structure of the Revised Hada Target Group (having carved out the Excluded Asset from the Original Hada Target Group) and to show the Shareholders the pro-forma retrospective effect as if the Original Acquisition had been made in 2018 with the Revised Hada Target Group as the acquisition target, i.e. excluding the Excluded Asset.

The updates referred to in (b) above are necessary to reflect the latest value of the Revised Hada Target Group since the lapse of time by using the updated financials and valuations of the Revised Hada Target Group with reference to the same set of valuation methodology and as comparison against (a).

In order to provide a clear picture to the Shareholders, below sets out the components in the respective formula for each of the benchmarks used in the Original Acquisition as referred in the 2018 Circular:

- (1) Formula used for determining the Hada Consideration in the Original Acquisition as set out in the 2018 Circular:

Business Valuation	RNAV	Alternative RNAV
Equity value - IA <i>Note 1</i> <i>Note 2</i>	Expected NAV + Revaluation gain on land and properties based on property valuation <i>Note 3</i> <i>Note 4</i>	Expected NAV + Revaluation gain on investment properties <i>Note 3</i> <i>Note 5</i> - IA <i>Note 2</i>

- (2) Valuation of the Revised Hada Target Group based on the financials and valuations used in Original Acquisition:

(In RMB)

Business Valuation	RNAV	Alternative RNAV
10.6 billion - 5.2 billion <i>Note 6</i> <i>Note 7</i>	436 million + 4.6 billion <i>Note 8</i> <i>Note 9</i>	436 million + 10.0 billion ^{<i>Note 10</i>} - 5.2 billion <i>Note 8</i> <i>Note 7</i>
= 5.4 billion	= 5.0 billion	= 5.2 billion
(representing 26% discount rate)	(representing 20% discount rate)	(representing 23% discount rate)

- (3) Valuation as adjusted with latest financials as at 31 December 2019 and latest preliminary business valuation and property valuations:

(In RMB)

Business Valuation	RNAV	Alternative RNAV
11.6 billion – 5.5 billion <i>Note 11</i> <i>Note 12</i>	(359) million + 5.2 billion <i>Note 13</i> <i>Note 14</i>	(359) million + 10.5 billion ^{<i>Note 15</i>} – 5.5 billion <i>Note 13</i> <i>Note 12</i>
= 6.1 billion	= 4.8 billion	= 4.6 billion
(representing 34% discount rate)	(representing 17% discount rate)	(representing 13% discount rate)

Note 1: The appraised equity value of the Markets was determined pursuant to the preliminary business valuation by an Independent Professional Valuer, adopting the market approach using comparable companies taking into account the combined EBITDA of the Original Hada Target Group and the PRC Operating Companies based on the latest available management accounts (or audited accounts, where applicable) of the relevant periods and based on an EV/EBITDA multiple deriving from the enterprise value which is adjusted to subtract total debt and adding back cash and cash equivalent, and further adjusted by the discount for lack of marketability and control premium.

Note 2: IA refers to intangible assets and goodwill (“IA”) which was calculated based on the intangible asset value as appraised by an Independent Professional Valuer and goodwill associated with the PRC Operating Companies previously acquired by the Company in the 2015 Transaction as at the relevant financial year end date.

Note 3: Expected NAV refers to the expected net asset value of the Original Hada Target Group immediately prior to the completion of the Original Acquisition after the settlement or loan capitalization of accounts receivables from and payables to the Vendor and its associates and bank borrowings as appropriate.

Note 4: Revaluation gain on the land and properties of the Original Hada Target Group which was calculated based on the preliminary land and properties valuation of the Original Hada Target Group as required by Rule 5.02 of the Listing Rules as at the relevant valuation date, subtracting therefrom the book value of the land and properties of the Original Hada Target Group for the operations of the Markets held as investment properties as at the relevant financial year end date.

Note 5: Revaluation gain on the investment properties of the Original Hada Target Group which was calculated based on the land and properties valuation of the Original Hada Target Group held as investment properties with or without title certificates as appraised by an Independent Professional Valuer as at the relevant financial year end date, subtracting therefrom the book value of the land and properties of the Original Hada Target Group for the operations of the Markets held as investment properties as at the same date.

Note 6: Adopting the basis in note 1, the appraised equity value as of 28 February 2018 adjusted to reflect the Revised Hada Target Group would be approximately RMB10.6 billion.

- Note 7:* Adopting the basis in note 2, IA as at 31 December 2017 adjusted to reflect the Revised Hada Target Group previously acquired by the Company in the 2015 Transaction would be approximately RMB5.2 billion.
- Note 8:* Adopting the basis in note 3, the expected NAV adjusted to reflect the Revised Hada Target Group immediately prior to the completion of the Original Acquisition after the settlement or loan capitalization of accounts receivables from and payables to the Vendor and its associates and bank borrowings as appropriate would be approximately RMB436 million.
- Note 9:* Adopting the basis in note 4, the revaluation gain on the land and properties as adjusted to reflect the Revised Hada Target Group would be approximately RMB4.6 billion, being the difference between the land and properties valuation of the Revised Hada Target Group as required by Rule 5.02 of the Listing Rules as at 31 March 2018 of approximately RMB5.4 billion and the book value of the land and properties of the Revised Hada Target Group for the operations of the Markets held as investment properties as at 31 December 2017 of approximately RMB790 million.
- Note 10:* Adopting the basis in note 5, the revaluation gain on the investment properties as adjusted to reflect the Revised Hada Target Group would be approximately RMB10.0 billion, which was calculated based on the land and properties valuation of the Revised Hada Target Group held as investment properties with or without title certificates as at 31 March 2018 of approximately RMB10.8 billion, subtracting therefrom the book value of the land and properties of the Revised Hada Target Group for the operations of the Markets held as investment properties as at 31 December 2017 of approximately RMB790 million.
- Note 11:* Adopting the basis in note 1, the preliminary appraised equity value based on the latest management accounts of the Revised Hada Target Group as at 31 December 2019 is expected to be approximately RMB11.6 billion.
- Note 12:* Adopting the basis in note 2, IA as at 31 December 2019 adjusted to reflect the Revised Hada Target Group previously acquired by the Company in the 2015 Transaction is expected to be approximately RMB5.5 billion, being the sum of (i) the fair value of intangible asset (reclassified to right-of-use assets upon the adoption of IFRS 16 as at 1 January 2019) of approximately RMB5.2 billion as appraised by an Independent Professional Valuer; and (ii) the goodwill of approximately RMB328 million, associated with the PRC Operating Companies (excluding the Shouguang Operating Company) previously acquired by the Company in the 2015 Transaction as at 31 December 2019.
- Note 13:* Adopting the basis in note 3, the expected net liability value of the Revised Hada Target Group immediately prior to the Hada Completion would be approximately RMB359 million, after the capitalization of certain net accounts payables to New Amuse and its associates of the Revised Hada Target Group, as part of the conditions precedent to the Hada Acquisition, immediately prior to the Hada Completion.
- Note 14:* Adopting the basis in note 4, the revaluation gain on the land and properties of the Revised Hada Target Group would be approximately RMB5.2 billion, being the difference between the preliminary land and properties valuation of the Revised Hada Target Group as required by Rule 5.02 of the Listing Rules as at 29 February 2020 of approximately RMB5.8 billion and the book value

of the land and properties of the Revised Hada Target Group for the operations of the Markets held as investment properties as at 31 December 2019 of approximately RMB625 million.

Note 15: Adopting the basis in note 5, the revaluation gain on the investment properties of the Revised Hada Target Group would be approximately RMB10.5 billion (subject to final adjustment), which was calculated based on the land and properties valuation of the Revised Hada Target Group held as investment properties with or without title certificates as at 31 December 2019 of approximately RMB11.1 billion (subject to final adjustment), subtracting therefrom the book value of the land and properties of the Revised Hada Target Group for the operations of the Markets held as investment properties as at 31 December 2019 of approximately RMB625 million.

Below sets out the explanation of the various benchmarks for the Revised Hada Consideration:

1. Business Valuation of the Revised Hada Target Group

Adopting the basis as described in the 2018 Circular, the Revised Hada Consideration shall reflect the incremental value attributable to the land and properties of the Revised Hada Target Group to be acquired in the Hada Acquisition, as a result, the intangible asset value and goodwill generated from the acquisition of the operating rights of the Markets in the 2015 Transaction shall be deducted from the business valuation of the Revised Hada Target Group.

As shown in part (2) of the valuation table, the business valuation of the Revised Hada Target Group based on the financials and valuations used in Original Acquisition valuation would be RMB5.4 billion and the Revised Hada Consideration represents a 26% discount to such adjusted business valuation.

As shown in part (3) of the valuation table, the preliminary business valuation of the Revised Hada Target Group as adjusted with latest financials and valuations would be approximately RMB6.1 billion and the Revised Hada Consideration represents a 34% discount to such updated business valuation.

Other Benchmarks

2. Re-assessed NAV (“RNAV”)

As stated in the 2018 Circular, given that the leases will be terminated upon the Hada Completion, it is not appropriate to consider only the book value of the Revised Hada Target Group without considering the value of the land and properties to be brought about by the potential benefits of integration of the land and properties with the operations of the Markets after termination of the leases (where the Enlarged Group as the landlord can freely utilise the land and properties in its sole discretion), and such

value is reflected in the land and properties valuation. Accordingly, it is relevant to add back the gain on revaluation to the expected NAV of the Revised Hada Target Group to determine the revised RNAV.

As shown in part (2) of the valuation table, the RNAV based on the financials and valuations used in Original Acquisition would be RMB5.0 billion and the Revised Hada Consideration represents a 20% discount to such adjusted RNAV.

The updated RNAV as shown in part (3) of the valuation table would be RMB4.8 billion, the Revised Hada Consideration represents a 17% discount to the updated RNAV of the Revised Hada Target Group.

3. *Alternative RNAV (“Alternative RNAV”)*

As stated in the 2018 Circular, the approach taken to calculate the RNAV has not considered the commercial value to those properties without title certificates. Therefore, an alternative approach had been taken to consider the appraised value of the land and properties with or without title certificates.

As shown in part (2) of the valuation table, the Alternative RNAV of the Revised Hada Target Group based on the financials and valuations used in Original Acquisition would be RMB5.2 billion (after considering the relevant IA of RMB5.2 billion), the Revised Hada Consideration represents a 23% discount to such adjusted Alternative RNAV.

As shown in part (3) of the valuation table, the updated Alternative RNAV of the Revised Hada Target Group as adjusted with latest financials and valuations would be approximately RMB4.6 billion (after considering the relevant IA of RMB5.5 billion)(subject to final adjustment), the Revised Hada Consideration represents a 13% discount to such updated Alternative RNAV.

The Board would like to draw the attention to the Shareholders that as stated in the 2018 Circular, the references to the RNAV and the Alternative RNAV of the Original Hada Target Group were commercial valuation of the assets to be acquired and they were included only to demonstrate the fairness and reasonableness of the Hada Consideration and that it would be in the interest of the Company and its Shareholders as a whole. The revised RNAV and the revised Alternative RNAV were computed based on parameters which are separate from the basis of the Revised Hada Consideration set out under the paragraph headed “Basis of the Revised Hada Consideration” above in this announcement and the revised RNAV and the revised Alternative RNAV have not been reviewed by the reporting accountants’ engaged by the Company and are not required to be computed in accordance with the applicable accounting standards.

(C) Revised Conditions Precedent

The Hada Completion is conditional on the satisfaction (or waiver, if applicable) on or before 31 December 2020 the conditions precedent which are adopted with reference to the Original Acquisition, with the main amendments in among others, condition (c) and the removal of condition (i) as completion of the Hangzhou Acquisition had taken place on 24 July 2018 and such condition is therefore no longer required.

Accordingly, the revised conditions precedent to the Hada Completion are as follows:

- (a) all necessary corporate authorisations or shareholders' approvals being obtained, including approvals being obtained from the Independent Shareholders at the EGM for, among others, (i) the Hada Acquisition Agreement (as amended by and including the Deed of Amendment) and the transactions contemplated thereunder; and (ii) the proposed grant of the Specific Mandate;
- (b) all necessary approvals, licenses, authorisations, consents, waivers or notifications necessary from third parties, governmental or regulatory authorities being obtained and in effect, including the approval being obtained from the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares on the Main Board of the Stock Exchange;
- (c) the capitalization of certain net accounts payables to New Amuse and its associates of the Revised Hada Target Group resulting in a net liability value of the Revised Hada Target Group of no more than RMB400 million immediately prior to the Hada Completion;
- (d) the representations and warranties provided by the Vendor under the Hada Acquisition Agreement as amended by the Deed of Amendment remaining true, accurate and not misleading as at the Hada Completion Date and as if repeated at all times between the date of the Hada Acquisition Agreement, where applicable, and the Hada Completion Date;
- (e) the representations and warranties provided by Yield Smart under the Hada Acquisition Agreement, as amended by the Deed of Amendment remaining true, accurate and not misleading as at the Hada Completion Date and as if repeated at all times between the date of the Hada Acquisition Agreement, where applicable, and the Hada Completion Date;
- (f) the Vendor having performed and complied with all agreements, obligations, and conditions contained in the Hada Acquisition Agreement (as amended by and including the Deed of Amendment) that are required to be performed or complied with by it on or before completion of the transactions contemplated thereunder;
- (g) the reporting accountants of the Company having completed the audit of and issued an unqualified opinion on the accountants' reports of the Revised Hada Target Group and the contents of which being satisfactory to the Company; and

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

If any of the conditions precedent is not fulfilled or where waivable, waived by Yield Smart or the Company (in respect of conditions (d) and (f)) or by the Vendor (in respect of condition (e)) on or before 31 December 2020 (or such later date to be agreed between the parties in writing), the Hada Acquisition Agreement, as amended by the Deed of Amendment, shall lapse and no party shall have any claim against the other, except in respect of antecedent breaches. For conditions (d), (e) and (f) which are waivable, Yield Smart, the Company or the Vendor (as the case may be) may waive such condition where the impact of doing so is immaterial and will not affect the substance of the Hada Acquisition. Conditions (a), (b), (c), (g) and (h) are not waivable by the parties.

As at the date of this announcement, none of the above conditions precedent has been fulfilled and the parties are not aware of any circumstances which may render the conditions above not fulfilled on or before the Hada Completion Date.

Hada Completion

The Hada Completion is expected to take place on the second Business Day from the date on which all conditions precedent in the Hada Acquisition Agreement and the Deed of Amendment, have been fulfilled or waived (as the case may be), unless otherwise agreed by the parties.

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

(2) PRINCIPAL TERMS OF THE CONVERTIBLE BOND

Under the Deed of Amendment, the Company shall issue the Convertible Bond at the Hada Completion, which comprises principal terms adopted from the Original Convertible Bond with necessary amendments to among others, reflect the Revised Hada Consideration and to adjust the initial conversion price per Share to reflect the effect of the Share Consolidation.

The Share Consolidation has the effect of increasing the nominal value per Share to HK\$0.10, which is 10 times of the preceding nominal value per share of the Company prior to the Share Consolidation. In accordance with the adjustment mechanisms specified under the terms of Original Convertible Bond, the initial conversion price per Share under the Convertible Bond shall be adjusted to HK\$1.63, being 10 times of the preceding initial conversion price per share of the Company for the purpose of reflecting the effect of the Share Consolidation.

The following table compares the principal terms of the Convertible Bond, as amended, with the preceding terms of the Original Convertible Bond:

	Convertible Bond	Original Convertible Bond
Aggregate principal amount	: HK\$4,405,286,344 (equivalent to approximately RMB4.0 billion)	HK\$6,506,024,217 (equivalent to approximately RMB5.4 billion)
Initial Conversion Price	: HK\$1.63 per Conversion Share, subject to customary adjustments	HK\$0.163 per Conversion Share, subject to customary adjustments
Number of Conversion Shares issuable	: 2,702,629,658 Conversion Shares are issuable upon full conversion based on the initial Conversion Price of HK\$1.63	39,914,259,000 Conversion Shares are issuable upon full conversion based on an initial conversion price of HK\$0.163

Note: Given that the Original Acquisition did not complete, the Original Convertible Bond had not been issued and will be replaced by the Convertible Bond.

The following terms of the Convertible Bond are adopted from the Original Convertible Bond which remain applicable:

Issuer	: The Company
Issue price	: 100% of the principal amount of the Convertible Bond, payable in full at the Hada Completion
Conversion Right	: Holder(s) of the Convertible Bond shall have the right to convert all or part of Convertible Bond into Conversion Shares at any time provided that: (i) the conversion would not result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules; and (ii) no general offer obligation will be triggered as a result of the conversion unless such obligation is otherwise waived by the SFC
Maturity	: The Convertible Bond will mature on the 10th anniversary of the date of issue
Lock-up period	: Holder(s) of the Conversion Shares may not dispose, transfer or otherwise create any encumbrances over the Conversion Shares so converted within the first three (3) years after conversion
Interest payment	: Holder(s) of the Convertible Bond are not entitled to receive any interest payment

- Status : The Convertible Bond constitutes direct, unsubordinated, unconditional and unsecured obligations of the Company and will at all times rank *pari passu* and without any preference or priority among themselves. Any payment obligations of the Company under the Convertible Bond will, save for such exceptions as may be provided by mandatory provisions of applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations
- Voting rights : Holder(s) of the Convertible Bond are not entitled to vote at any general meetings of the Company by reason only of it being a holder of such Convertible Bond
- Listing : No listing will be sought for the Convertible Bond on the Stock Exchange or any other stock exchange. However, an application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares

Conversion Price

The Conversion Price represents:

- (a) a discount of approximately 8.43% over the closing price of the Shares of HK\$1.78 as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 10.93% over the average closing price of the Shares of HK\$1.83 as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 6.32% over the average closing price of the Shares of HK\$1.74 as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 21.26% over the average closing price of the Shares of HK\$2.07 as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day; and
- (e) a discount of approximately 4.12% over the Group's latest audited net asset per Share as at 31 December 2019 of HK\$1.70.

The Conversion Price of HK\$1.63 was determined after arm's length negotiations between the Company and the Vendor with reference to the initial conversion price of HK\$0.163 in the Original Convertible Bond, adjusted to reflect the effect of the Share Consolidation. Given that (i) the Hada Acquisition mainly involved an amendment to the scope of the assets to be purchased, being the Revised Hada Target Group, with a corresponding adjusted consideration, and (ii) the benefits and synergies expected from the Original Acquisition continue to hold true upon the Hada Completion, the parties consider it appropriate for the other terms of the Original Acquisition to remain the same where applicable. Where a term such as the initial conversion price in the Original

Acquisition is no longer applicable due to events such as the Share Consolidation, it has been adjusted accordingly. As such, taking into account (i) and (ii) and in the spirit of other terms of the Original Acquisition remaining the same where applicable, the Company considers that the Conversion Price, despite being at a discount to the average closing price of the Shares preceding the date of the Deed of Amendment and net asset per Share of the Company based on the latest audited accounts of the Group as at 31 December 2019, is fair and reasonable and in the interests of the Company as a whole.

Proposed Grant of the Specific Mandate

The Company will seek the approval from the Independent Shareholders for the grant of the Specific Mandate at the EGM for the purpose of the issuance of the Conversion Shares convertible from the Convertible Bond.

Effect of the Issue of Conversion Shares on the shareholding structure of the Company

The details of the shareholding structure of the Company as at the date of this announcement and immediately following the issue of the Conversion Shares (assuming full conversion of the Convertible Bond) are set out as follows (assuming that there would be no other change(s) to the share capital of the Company between the date of this announcement and the Hada Completion Date):

	As at the date of this announcement		Immediately after the Hada Completion and full conversion of the Convertible Bond (for illustrative purpose only) ⁽⁴⁾	
	<i>No. of Shares</i>	<i>Approximate % of the total issued Shares</i>	<i>No. of Shares</i>	<i>Approximate % of the total issued Shares</i>
Super Brilliant ⁽¹⁾	2,011,810,466	35.20	2,011,810,466	23.90
Gloss Season ⁽¹⁾	15,912,000	0.28	15,912,000	0.19
Wealthy Aim ⁽¹⁾	83,299,066	1.46	83,299,066	0.99
Mr. Dai ⁽²⁾	20,007,000	0.35	20,007,000	0.24
New Amuse ⁽³⁾	811,707,317	14.20	3,514,336,975	41.75
Dai Family Group (being Super Brilliant, Gloss Season, Wealthy Aim, Mr. Dai and New Amuse)	2,942,735,849	51.49	5,645,365,507	67.06
A Director	4,835,000	0.08	4,835,000	0.06
Other public Shareholders	2,768,022,207	48.43	2,768,022,207	32.88
Total	5,715,593,056	100.00	8,418,222,714	100.00

Notes:

- (1) Super Brilliant Investments Limited (“**Super Brilliant**”), Gloss Season Limited (“**Gloss Season**”) and Wealthy Aim Holdings Limited (“**Wealthy Aim**”) are wholly-owned by Mr. Dai.
- (2) Mr. Dai is personally interested in 20,007,000 Shares, together with his interest through Super Brilliant, Gloss Season and Wealthy Aim, Mr. Dai is interested in (directly and indirectly) 2,131,028,532 Shares in aggregate, amounting to approximately 37.29% of the total issued shares of the Company as at the date of this announcement.
- (3) New Amuse is wholly-owned by Ms. Zhang, the spouse of Mr. Dai.
- (4) This scenario is set out for illustrative purpose only. In practice, New Amuse is bound by the conversion conditions under the terms of the Convertible Bond and may only partially convert the Convertible Bond into such number of conversion shares such that no general offer obligation is triggered, beyond which, it may not convert any further without first obtaining a waiver from the SFC.

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

(3) THE SHOUGUANG FRAMEWORK LEASE AGREEMENT AND TERMINATION OF FRAMEWORK LEASE AGREEMENT

Background

As a result of carving out the Excluded Asset from the Hada Acquisition and for the purpose of continuing the operations of the Shouguang Market subsequent to the Hada Completion, on 27 April 2020, Able Vantage (a wholly-owned subsidiary of the Vendor) entered into the Shouguang Framework Lease Agreement with Sure Cheer (a wholly-owned subsidiary of the Company) in respect of the leasing of land and properties for the operations of the Shouguang Market. The lessee and the lessor shall procure, unless otherwise agreed, the Shouguang Operating Company and the Shouguang Landlord Entity, respectively, to enter into lease contract(s) for the leasing of the relevant properties (including land and buildings) in the PRC which are held by the Shouguang Landlord Entity and necessary for the on-going operations of the Shouguang Market.

The lease under the Shouguang Framework Lease Agreement is recognised by the Group as right-of-use assets under IFRS 16 and classified as an acquisition of assets by the Group under the Listing Rules. The right-of-use asset value of the Shouguang Framework Lease Agreement expected to be recognized is approximately RMB191 million, which will form the basis for computation of the percentage ratios in respect of the one-off connected transaction of the Company arising from such acquisition of assets by the Group.

Particulars of the Shouguang Framework Lease Agreement are set out below:

The Shouguang Framework Lease Agreement

Date: 27 April 2020

Parties:	Able Vantage as lessor for itself and its subsidiaries Sure Cheer as lessee for itself and its subsidiaries
Premises:	Certain land and properties in Shouguang Market, in Shouguang, Shandong Province of the PRC
Permitted Usage:	For operation of Shouguang Market for wholesaling and retailing of agricultural produce
Term:	Fixed term commencing from the date of Hada Completion and terminating on 31 December 2035, subject to the option to renew as described below
Annual Rent:	RMB15,750,000 per year commencing from the Hada Completion Date to 31 December 2021, exclusive of operating charges, property tax and other outgoings RMB16,537,500 per year commencing from 1 January 2022 to 31 December 2024, exclusive of operating charges, property tax and other outgoings RMB17,364,000 per year commencing from 1 January 2025 to 31 December 2027, exclusive of operating charges, property tax and other outgoings RMB18,232,500 per year commencing from 1 January 2028 to 31 December 2030, exclusive of operating charges, property tax and other outgoings RMB19,144,500 per year commencing from 1 January 2031 to 31 December 2033, exclusive of operating charges, property tax and other outgoings RMB20,101,500 per year commencing from 1 January 2034 to 31 December 2035, exclusive of operating charges, property tax and other outgoings
Option to renew:	At the discretion of the lessee, the agreement can be renewed with RMB20,101,500 as the base rent with 5% increments for every three years for any renewed term

The terms and conditions of the Shouguang Framework Lease Agreement was negotiated with reference to and by adopting where appropriate, the terms and conditions of the Framework Lease Agreement entered into between the Vendor and Yield Smart in June 2015, with the annual rent adjusted to reflect only the leasing of land and properties held by the Shouguang Landlord Entity.

The Shouguang Framework Lease Agreement shall be conditional on the Hada Completion. In the event that the Hada Acquisition does not proceed to Hada Completion, the Shouguang Framework Lease Agreement will lapse and have no effect.

Termination of Framework Lease Agreement and Trademark Licensing Agreement

In connection with the acquisition by the Group of the operating rights of the Markets which took place in 2015, New Amuse (as lessor) had previously entered into the Framework Lease Agreement with Yield Smart (as lessee) in respect of the leasing of properties (including land and buildings) in the PRC to facilitate the operation of the Markets by the PRC Operating Companies with rent payable to the lessor annually. Furthermore, Harbin Hada (as licensor) and Harbin Dili (as licensee), had also previously entered into the Trademark Licensing Agreement, pursuant to which the licensor granted to the licensee the right to use certain trademarks registered in the name of the licensor in the PRC for a term of 20 years at nil consideration.

As a result from the Hada Acquisition, the Framework Lease Agreement and all related leases entered into under the Framework Lease Agreement, and the Trademark Licensing Agreement will be terminated upon Hada Completion. Accordingly, the continuing connected transactions associated with the Framework Lease Agreement and the Trademark Licensing Agreement will be discontinued. As part of the operations of the Shouguang Market, the Shouguang Operating Company will be using certain registered trademarks of the Shouguang Landlord Entity licensed for its use at nil consideration.

In the event that the Hada Acquisition does not proceed to Hada Completion, the Framework Lease Agreement and all related leases entered into under the Framework Lease Agreement, and the Trademark Licensing Agreement shall remain in force.

III. INFORMATION OF REVISED HADA TARGET GROUP

Revised Hada Target Group

The Original Hada Target Group comprises among others, nine PRC Landlord Entities which together hold the land and properties for the operation of the seven Markets. In connection with carving out the Excluded Asset, the Revised Hada Target Group will comprise among others, eight PRC Landlord Entities which together hold the land and properties for the operation of the six markets. The original acquisition and investment costs of the Vendor for the Revised Hada Target Group was approximately HK\$5.7 billion.

Below sets out the nature and details of the land and properties for the operations of the Markets held by the Revised Hada Target Group:

Agriculture wholesale market	Location	Approximate GFA (sq.m.)	Approximate site Area (sq.m.)	Nature of land and properties use
Shenyang Shouguang Dili Agricultural Produce and Side Products Market	Shenyang City, Liaoning Province	260,000	210,000	Wholesale, retail, storage and commercial
Harbin Hada Agricultural Produce Market	Harbin City, Heilongjiang Province	220,000	130,000	Commercial, services and office etc.
Guiyang Agricultural Produce Logistic Park	Guiyang City, Guizhou Province	190,000	170,000	Commercial and market
Qiqihar Hada Agricultural Produce Market	Qiqihar City, Heilongjiang Province	40,000	70,000	Public facilities, storage, office, industrial and transportation
Muda International Agricultural Produce Logistic Park	Mudanjiang City, Heilongjiang Province	170,000	170,000	Wholesale, retail, commercial and services
Harbin Youyi Agricultural Produce Market	Harbin City, Heilongjiang Province	10,000	3,000	Commercial, services and storage
<i>Excluded in the Revised Hada Target Group:</i>				
<i>China Shouguang Agricultural Produce Logistic Park</i>	<i>Shouguang City, Shandong Province</i>	<i>550,000</i>	<i>1,120,000</i>	<i>Wholesale, retail, storage</i>

Based on the unaudited management accounts of the Revised Hada Target Group, the historical financial information of Revised Hada Target Group for the two financial years ended 31 December 2019 is set out below.

	For the financial year ended	
	31 December 2019	31 December 2018
	<i>(RMB'000 approx.)</i>	<i>(RMB'000 approx.)</i>
Net profit before taxation	94,740	9,236
Net profit/(loss) after taxation	74,421	(14,583)

Based on the unaudited management accounts, the net liability value of the Revised Hada Target Group as at 31 December 2019 was approximately RMB2.5 billion, before the capitalization of certain net accounts payables to New Amuse and its associates of the Revised Hada Target Group.

IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE DEED OF AMENDMENT AND THE SHOUGUANG FRAMEWORK LEASE AGREEMENT

As disclosed in the 2018 Circular, following the 2015 Transaction, the Group wishes to upgrade and expand the infrastructure and facilities of the Markets by bringing in the ownership of land and properties where the Markets situate and integrating operations with land and properties. By doing so, the Company will not only save rental expenses, but will be able to invest and expand the Markets without any restrictions and limitations faced as a tenant in its plan for expansion and future capital expenditure investment in the Markets. In addition, the acquisition of the land and properties would provide the Group an additional channel for future debt-financing as assets rather than merely operations rights could be used as security.

As such, the Group wishes to proceed to the Hada Completion as soon as possible in order to bring in the benefits of integration of land and properties with operating companies of the Markets to Shareholders. However, as the Vendor was unable to satisfy one of the conditions precedent being the settlement of all accounts receivables from and payables to the Vendor and its associates and bank borrowings of the Original Hada Target Group before the original long stop date, the Company engaged in discussions with the Vendor to resolve the situation. Upon discussions, the parties agreed that the Shouguang Landlord Entity should be excluded from the Original Hada Target Group as the condition precedent in relation to the settlement of all accounts receivables from and payables to New Amuse and its associates and bank borrowings of the Hada Target Group remain unsatisfied and certain pledges over certain land and properties of the Shouguang Landlord Entity remain unreleased. Although at the Hada Completion, the Revised Hada Target Group is expected to have outstanding bank borrowings of approximately RMB2.4 billion subsisting and therefore, not debt-free, the amount of such indebtedness would be materially reduced. The Company therefore considered it to be in the interests of the Group to exclude the Shouguang Landlord Entity from the Original Hada Target Group and proceed with acquiring the Revised Hada Target Group.

Despite that by carving out the Excluded Asset, the Group would not be acquiring the land and properties for the operations of the Shouguang Market, its operations in the Shouguang Market would not be affected as the Group would continue to lease the land and properties on which the Shouguang Market situate under the terms and conditions of the Shouguang Framework Lease Agreement.

It is expected that the carving out of the Excluded Asset would not have a material impact on the Group, as it will continue to enjoy the benefits and advantages in integrating the agriculture market operations with land and properties of the Revised Hada Target Group, while the Shouguang Market shall continue to operate on land and properties leased from the Vendor. As each Market operates independently on their respective land and properties, it is expected that there will be no business disruption in the operations of the Markets. Despite the above, the Group will continue to engage a dialogue with the Vendor to discuss any potential acquisition of the Shouguang Landlord Entity, subject to its liabilities settled and pledges over land and properties released, in order to maximize the benefits in integrating all the land and properties that the Markets operate on.

After considering the above, based on arm's length negotiation, the Company and the Vendor agreed to revise the Original Hada Target Group to the Revised Hada Target Group, and at the Revised Hada Consideration in order to proceed to completion without further delay.

In light of the above, the Directors (excluding the independent non-executive Directors whose view will be contained in the circular to the Shareholders) are of the view that the terms of the Deed of Amendment, and together with the Hada Acquisition Agreement as amended which have been reached after arm's length negotiations among the parties, are fair and reasonable, on normal commercial terms, and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, taking into account among other things, (a) the enhanced ability for the Group to conduct future debt-financing activities with land and properties acquired in the Hada Acquisition as security; (b) the eradications of restrictions and limitations faced as a tenant when using land and properties of the Market and the potential opportunities in expanding the Markets with future capital expenditure investment; (c) the quality of assets being acquired, and the Directors (including the independent non-executive Directors) are of the view that the terms of the Shouguang Framework Lease Agreement, taking into account among other things, (d) the annual rent and the rental increment upon renewal under the Shouguang Framework Lease Agreement and (e) the long term continuous operation of the Shouguang Market under the Shouguang Framework Lease Agreement, are fair and reasonable, on normal commercial terms, and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. The opinion of the Independent Board Committee in relation to the Hada Acquisition, after taking into account the advice from an independent financial adviser to be appointed, will be contained in the circular.

V. LISTING RULES IMPLICATIONS

As some of the applicable percentage ratios (as defined under the Listing Rules) of the Hada Acquisition exceed 25% but are all less than 100%, the Hada Acquisition no longer constitutes a very substantial acquisition, unlike the Original Acquisition as stated in the 2018 Circular, but instead constitutes a major transaction and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

With respect to the entering into of the Shouguang Framework Lease Agreement, as Able Vantage is indirectly wholly-owned by New Amuse, Able Vantage is a connected person of the Company under the Listing Rules and the entering into of the Shouguang Framework Lease Agreement between Able Vantage and Sure Cheer (a wholly-owned subsidiary of the Company) constitutes a connected transaction of the Group. With the adoption of IFRS 16, the lease under the Shouguang Framework Lease Agreement will be recognised by the Group as right-of-use assets and classified as an acquisition of assets by the Group pursuant to the Listing Rules and hence, the Shouguang Framework Lease Agreement will be treated as a one-off connected transaction under the Listing Rules. As all applicable percentage ratios for the Shouguang Framework Lease Agreement are less than 5%, the connected transaction is exempt under Rule 14A.76 of the Listing Rules from, circular and Independent Shareholders' approval requirements.

VI. GENERAL INFORMATION

Independent Board Committee

The Independent Board Committee comprising all independent non-executive Directors will be, having taken into account the advice from an independent financial adviser to be appointed in due course, advising the Independent Shareholders as to whether the terms and conditions of the Hada Acquisition (including the Convertible Bond) and the proposed grant of the Specific Mandate are fair and reasonable, on normal commercial terms or better, and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders on how to vote. None of the members of the Independent Board Committee is directly or indirectly interested or involved in the Hada Acquisition, the Specific Mandate and the transactions contemplated thereunder.

Independent Financial Adviser

The Board announces that subject to the approval of the Independent Board Committee, the Company will appoint an independent financial adviser in due course to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the revised terms and conditions of the Hada Acquisition (including the Convertible Bond) and the proposed grant of the Specific Mandate are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

VII. EGM AND DISPATCH OF CIRCULAR

The EGM will be convened at which ordinary resolution(s) will be proposed for the Independent Shareholders to consider, and, if thought fit, to approve, among others, the Deed of Amendment, together with the Hada Acquisition Agreement, as amended and transactions contemplated thereunder and the proposed grant of the Specific Mandate. Mr. Dai (the controlling Shareholder and the spouse of Ms. Zhang), Ms. Zhang (who controls New Amuse) and their respective associates (including New Amuse) will

abstain, and any person who has a material interest in the Hada Acquisition and the proposed grant of the Specific Mandate is required to abstain, from voting on the relevant resolutions at the EGM.

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

A circular containing, amongst other information, (i) further information on the terms of the Hada Acquisition; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders as to whether the terms and conditions of the Hada Acquisition (including the Convertible Bond) and the proposed grant of the Specific Mandate are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations from an independent financial adviser to be appointed; (iii) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders; (iv) the accountant's report of the Revised Hada Target Group, the business valuation report and the property valuation report on the Revised Hada Target Group; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 31 May 2020 as more time is required to prepare the circular.

WARNING

Shareholders and potential investors should note that the Hada Acquisition are subject to various conditions as stated in the section headed "Letter from the Board — B. The Acquisitions — (I) The Hada Acquisition — Conditions Precedent" in the 2018 Circular and the paragraph headed "II. The Amendments — (1) Deed of Amendment — (C) Revised Conditions Precedent" in this announcement and therefore the Hada Acquisition may or may not complete. As such, Shareholders and potential investors are urged to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“2015 Transaction”	the acquisition by the Company from New Amuse of the entire issued share capital in Yield Smart which held and controlled the business operations of the Markets. The acquisition was completed on 27 July 2015. Please refer to the announcements of the Company dated 9 June 2015 and 27 July 2015 and the circular of the Company dated 29 June 2015 for more details
“2018 Circular”	The circular dated 29 June 2018 in relation to, among others, the Hada Acquisition

“Able Vantage”	Able Vantage Limited (旺益有限公司), a company incorporated in Hong Kong and is indirectly wholly-owned by New Amuse, which holds 100% interest in the Shouguang Landlord Entity
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday, any public holiday in Hong Kong or a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks generally are open for business in Hong Kong
“Company”	China Dili Group (Stock Code: 1387), a company incorporated in the Cayman Islands whose members’ liability is limited, the shares of which are listed on the Stock Exchange
“Convertible Bond”	the unsecured HK\$ settled convertible bond for the principal amount of HK\$4,405,286,344 to be issued by the Company in favour of New Amuse, with terms and conditions amended by the Deed of Amendment and set out under the section headed “II. The Amendments — (2) Principal Terms of the Convertible Bond” of this announcement
“Conversion Price”	the initial conversion price of HK\$1.63 per Conversion Share, subject to customary adjustments
“Conversion Share(s)”	new Shares to be issued upon conversion of the Convertible Bond
“Deed of Amendment”	The deed of amendment entered into among the Company, Yield Smart and New Amuse to amend certain terms and conditions in the Hada Acquisition Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at which, among others, the Hada Acquisition and transactions contemplated thereunder together with the revised terms of the Hada Acquisition Agreement (as amended by the Deed of Amendment and including the Convertible Bond and the proposed grant of the Specific Mandate), will be considered, and if thought fit, approved by the Independent Shareholders
“Enlarged Group”	the Group as enlarged by the Revised Hada Target Group upon completion of the Hada Acquisition

“Excluded Asset”	the Shouguang Landlord Entity and the related intermediate holding companies in the Original Hada Target Group
“Framework Lease Agreement”	the framework lease agreement entered into between New Amuse (as lessor) and Yield Smart (as lessee) dated 9 June 2015 which took effect on 27 July 2015
“Group”	the Company and its subsidiaries from time to time
“Hada Acquisition”	the acquisition of the entire issued share capital of the Hada Target Company pursuant to the terms and conditions of the Hada Acquisition Agreement, and as amended by the Deed of Amendment
“Hada Acquisition Agreement”	the sale and purchase agreement dated 5 June 2018 entered into among the Company, Yield Smart and New Amuse in respect of the Hada Acquisition
“Hada Completion”	the completion of the Hada Acquisition
“Hada Completion Date”	the date of Hada Completion
“Hada Consideration”	the consideration of RMB5.4 billion for the Original Acquisition under the Hada Acquisition Agreement
“Hada Target Company”	United Progress Group Limited, a company incorporated in the British Virgin Islands which is wholly-owned by New Amuse
“Hada Target Group Valuation”	being one of the basis of the Hada Consideration as described in the 2018 Circular, please refer to the paragraph headed “II. The Amendments — (1) The Deed of Amendment — (B) Revised Hada Consideration” in this announcement and the 2018 Circular for the detailed calculation and explanation
“Hangzhou Acquisition”	the acquisition of the entire issued share capital of Wise Path Holdings Limited which was completed on 24 July 2018. Please refer to the 2018 Circular for details
“Harbin Dili”	哈爾濱地利農副產品有限公司 (Harbin Dili Agricultural Produce and Side Products Co., Ltd.**), a company incorporated in the PRC and is one of the PRC Operating Companies which operates a Market in Harbin
“Harbin Hada”	哈爾濱哈達農副產品股份有限公司 (Harbin Hada Agricultural Produce and Side Products Joint Stock Co., Ltd.**), a company incorporated in the PRC, and is one of the PRC Landlord Entities which holds the land and properties for the operation of a Market in Harbin

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS 16”	the International Financial Reporting Standard 16, <i>Leases</i> , issued by the International Accounting Standards Board, sets out the principles for the recognition, measurement, presentation and disclosure of leases
“Independent Board Committee”	independent board committee established by the Company consisting of all independent non-executive Directors to advise the Independent Shareholders as to whether the revised terms and conditions of the Hada Acquisition (as amended by the Deed of Amendment and including the Convertible Bond) are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations from an independent financial adviser
“Independent Professional Valuer”	BMI Appraisals Limited, an independent professional valuer appointed by the Company
“Independent Shareholders”	Shareholders other than Ms. Zhang and her associates (including Mr. Dai, being spouse of Ms. Zhang) and any person who is involved in, or interested in the Hada Acquisition, who are entitled to attend and vote at the relevant general meeting of the Company under the applicable laws and regulations and the articles of association of the Company
“Last Trading Day”	24 April 2020, being the last trading day of the Shares immediately prior to the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Markets”	the existing markets for wholesaling and retailing of agricultural produce currently operated by the PRC Operating Companies (namely Shouguang, Guiyang, Harbin (comprising two markets), Qiqihar, Mudanjiang and Shenyang) on the land and properties owned by the PRC Landlord Entities (each a “ Market ”)

“Mr. Dai”	Mr. Dai Yongge, the controlling shareholder of the Company, a former Director resigned on 30 September 2018 and the spouse of Ms. Zhang. As at the date of this announcement, Mr. Dai (together with his associates) are interested in approximately 51.49% in the total issued share capital of the Company
“Ms. Zhang”	Ms. Zhang Xingmei, a substantial shareholder of the Company, a former Director resigned on 31 December 2018 and the spouse of Mr. Dai and hence, a connected person of the Company. As at the date of this announcement, New Amuse is indirectly wholly-owned by Ms. Zhang
“NAV”	net asset value
“New Amuse” or “Vendor”	New Amuse Limited (新喜有限公司), a company incorporated in the British Virgin Islands and indirectly wholly-owned by Ms. Zhang, a connected person of the Company; and holds 811,707,317 Shares, representing approximately 14.20% of the total issued Shares of the Company, as at the date of this announcement
“Original Acquisition”	the acquisition of the entire issued share capital of the Hada Target Company under the scope of the Original Hada Target Group, which includes nine PRC Landlord Entities pursuant to the original terms and conditions of the Hada Acquisition Agreement
“Original Convertible Bond”	in connection with the Original Acquisition, the unsecured HK\$ settled convertible bond for the principal amount of HK\$6,506,024,217 to be issued by the Company in favour of New Amuse, with terms and conditions set out under the paragraph headed “Letter from the Board — B. The Acquisitions — (I) The Hada Acquisition — Principal Terms of the Convertible Bond” of the 2018 circular
“Original Hada Target Group”	the proposed Hada Target Group (as defined in the 2018 Circular), which includes the Hada Target Company and its subsidiaries, including the PRC Landlord Entities (each a “ Hada Target Group Company ”)
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan

“PRC Landlord Entity(ies)”	any or all of 壽光農產品物流園有限公司 (Shouguang Agricultural Produce Logistic Park Co., Ltd.**); 貴陽地利農產品物流園有限公司 (Guiyang Dili Agricultural Produce Logistic Park Co., Ltd.**); 哈爾濱哈達農副產品股份有限公司 (Harbin Hada Agricultural and Side Products Joint Stock Co., Ltd.**); 哈爾濱友誼倉儲有限責任公司 (Harbin Youyi Warehouse Co., Ltd.**); 齊齊哈爾哈達農副產品有限責任公司 (Qiqihar Hada Agricultural and Side Products Co., Ltd.**); 牡丹江牡達農副產品有限公司 (Mudanjiang Muda Agricultural Produce and Side Products Co., Ltd.**); 瀋陽地利農副產品有限公司 (Shenyang Dili Agricultural Produce and Side Products Co., Ltd.**); 瀋陽金東貿置業有限公司 (Shenyang Jindongmao Property Co., Ltd.**), and 遼寧銀達利置業投資有限公司 (Liaoning Yindali Property Investment Co. Ltd.**), each of which is an existing operating subsidiary of New Amuse which holds the land and properties for the operation of the Markets
“PRC Operating Companies”	any or all of 壽光地利農產品物流園有限公司 (Shouguang Dili Agricultural Produce Logistic Park Co., Ltd.**); 瀋陽壽光地利農副產品有限公司 (Shenyang Shouguang Dili Agricultural Produce and Side Products Co., Ltd.**); 貴陽聚正潤農產品市場管理有限公司 (Guiyang Juzhengrun Agricultural Produces Market Management Co., Ltd.**); 齊齊哈爾地利農產品市場管理有限公司 (Qiqihar Dili Agricultural Produce Market Management Co., Ltd.**); 哈爾濱地利農副產品有限公司 (Harbin Dili Agricultural Produce and Side Products Co., Ltd.**); 牡丹江地利農副產品有限公司 (Mudanjiang Dili Agricultural Produce and Side Products Co., Ltd.**); and 哈爾濱達利凱農副產品有限公司 (Harbin Dalikai Agricultural Produce and Side Products Co., Ltd.**), each of which is an existing operating subsidiary of the Company which operates the corresponding Markets
“Revised Hada Consideration”	the revised consideration of RMB4.0 billion for the Hada Acquisition under the Deed of Amendment, which will be settled by the issuance of the Convertible Bond
“Revised Hada Target Group”	the Hada Target Company and its subsidiaries, including the PRC Landlord Entities, but excluding the Excluded Asset
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong

“Share Consolidation”	the consolidation of every ten (10) shares of HK\$0.01 each in the share capital of the Company into one Share, which took effective on 27 May 2019. For details, please refer to the circular of the Company dated 2 May 2019 and the announcement of the Company dated 24 May 2019
“Shareholder(s)”	holder(s) of the Shares
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shouguang Framework Lease Agreement”	the framework lease agreement entered into between Able Vantage (as lessor for itself and its subsidiaries) and Sure Cheer (as lessee for itself and its subsidiaries), pursuant to which Sure Cheer and Able Vantage shall, unless otherwise agreed, procure the Shouguang Operating Company and the Shouguang Landlord Entity, respectively, to enter into lease contract(s) for the leasing of the relevant properties (including land and buildings) in the PRC which are held by the Shouguang Landlord Entity
“Shouguang Landlord Entity”	壽光農產品物流園有限公司 (Shouguang Agricultural Produce Logistic Park Co., Ltd.**), a company incorporated in the PRC, an existing operating subsidiary of New Amuse which holds the land and properties for the operation of the Shouguang Market
“Shouguang Market”	the market(s) for wholesaling and retailing of agricultural produce operated by the Shouguang Operating Company in Shouguang, Shandong Province
“Shouguang Operating Company”	壽光地利農產品物流園有限公司 (Shouguang Dili Agricultural Produce Logistic Park Co., Ltd.**), a company incorporated in the PRC, an existing operating subsidiary of the Company which operates the Shouguang Market
“Specific Mandate”	a specific mandate to be granted by the Independent Shareholders to the Directors at the EGM for the purpose of allotment and issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sure Cheer”	Sure Cheer Limited (保至有限公司), a company incorporated in Hong Kong and is indirectly wholly-owned by the Company, which holds 100% interest in the Shouguang Operating Company
“Trademark Licensing Agreement”	the trademark licensing agreement entered into between Harbin Hada (as licensor) and Harbin Dili (as licensee) which took effect on 27 July 2015

“Yield Smart”

Yield Smart Limited (利駿有限公司), a company incorporated in the British Virgin Islands and is wholly-owned by the Company

By Order of the Board
China Dili Group
Wang Yan
Chairman

Hong Kong, 27 April 2020

As at the date of this announcement, the Board comprises Mr. Wang Yan (Chairman) and Mr. Dai Bin (Chief Executive Officer) as executive Directors; Mr. Yin Jianhong and Ms. Yang Yuhua as non-executive Directors; Mr. Fan Ren-Da, Anthony, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man as independent non-executive Directors.

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

For the purpose of this announcement, unless the context otherwise requires, conversion of Hong Kong dollars into Renminbi is based on the exchange rate of HK\$1.00 to RMB0.908. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

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

*The English names of PRC entities marked with “**” are direct transliteration of their Chinese names and are included in this announcement for reference only, and should not be regarded as their official English names. In the event of any inconsistency, the Chinese name prevails.*