

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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



中国地利集团
China Dili Group

(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)

**(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;
(3) PROPOSED GRANT OF SPECIFIC MANDATE
FOR THE CONVERSION SHARES;
AND
(4) NOTICE OF EGM**

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



中毅資本有限公司
Grand Moore Capital Limited

A letter from the Board is set out on pages 9 to 38 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 39 to 40 of this circular. A letter from Grand Moore Capital Limited, the independent financial adviser, containing its advice and opinion to the Independent Board Committee and the Independent Shareholders is set out on pages 41 to 86 of this circular.

A notice convening the EGM to be held at 3:00 p.m., on Wednesday, 24 June 2020, at Salon 1-3, 3/F, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Measures to be taken with the aim of preventing and controlling the spread of COVID-19 at the EGM are set out in the notice of EGM on page EGM-3 of this circular, which include:

- mandatory body temperature checks at the entrance of the venue of the EGM for all participants, including Shareholders or their proxies;
- compulsory wearing of surgical face masks for all participants, including Shareholders or their proxies;
- the number of seats at the venue of the EGM will be limited and available on a first-come-first-served basis and the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding and to enable social distancing;
- no distribution of corporate gift or refreshment and no eating or drinking in the venue of the EGM; and
- anyone who has travelled outside Hong Kong within 14 days before the EGM (a "Recent Record of Travelling"), who is subject to quarantine or self-quarantine related to COVID-19, or has close contact with any person who is undergoing quarantine or has a Recent Record of Travelling should not attend the EGM in person.

Any person who does not comply with the precautionary measures may be denied entry into the venue of the EGM. The Company encourages Shareholders NOT to attend the EGM in person but appoint the chairman of the EGM as their proxy to vote on the proposed resolution at the EGM as an alternative.

* For identification purpose only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	9
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	39
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	41
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — FINANCIAL INFORMATION OF THE REVISED HADA TARGET GROUP	II-1
APPENDIX III — ACCOUNTANTS' REPORT OF THE REVISED HADA TARGET GROUP	III-1
APPENDIX IV — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP	IV-1
APPENDIX V — BUSINESS VALUATION OF THE REVISED HADA TARGET GROUP	V-1
APPENDIX VI — PROPERTY VALUATION OF THE REVISED HADA TARGET GROUP	VI-1
APPENDIX VII — GENERAL INFORMATION	VII-1
NOTICE OF EGM	EGM-1

DEFINITIONS

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

“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
“Announcement”	the announcement of the Company dated 27 April 2020 in relation to, among other things, the Hada Acquisition
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday, any public holiday in Hong Kong or a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks generally are open for business in Hong Kong
“BVI”	British Virgin Islands
“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 paragraph headed “Letter from the Board — C. The Transactions — (II) Principal Terms of the Convertible Bond” of this circular
“Conversion Price”	the initial conversion price of HK\$1.63 per Conversion Share, subject to customary adjustments

DEFINITIONS

“Conversion Share(s)”	new Shares to be issued upon conversion of the Convertible Bond
“Deed of Amendment”	the deed of amendment dated 27 April 2020 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
“EBITDA”	earnings before interest, taxation, depreciation and amortization
“EGM”	the extraordinary general meeting of the Company to be convened and held at 3:00 p.m., on Wednesday, 24 June 2020 at Salon 1–3, 3/F, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, at which, among others, the Hada Acquisition and transactions contemplated thereunder, 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
“G.F.A”	gross floor area
“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

DEFINITIONS

“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 BVI 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 “Letter from the Board — C. The Transactions — (I) The Deed of Amendment — (2) Revised Hada Consideration” of this circular 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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS 3”	the International Financial Reporting Standard 3, <i>Business Combinations</i> , issued by the International Accounting Standards Board, sets out the principles for and requirements for a business combination
“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

DEFINITIONS

“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 (including the Convertible Bond and the termination of the Framework Lease Agreement) are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group 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 Financial Adviser” or “Grand Moore”	Grand Moore Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Hada Acquisition (including the Convertible Bond and the termination of the Framework Lease Agreement) and the proposed grant of the Specific Mandate
“Independent Professional Valuer” or “BMI Appraisals”	BMI Appraisals Limited, an independent professional valuer appointed by the Company
“Independent Shareholder(s)”	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 trading day of the Shares immediately prior to the publication of the Announcement
“Latest Practicable Date”	26 May 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Committee”	has the same meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“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 Latest Practicable Date, 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 Latest Practicable Date, 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 BVI 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 Latest Practicable Date
“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 ”)

DEFINITIONS

“PRC”	the People’s Republic of China, which, for the purpose of this circular, 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 Produce 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 Company(ies)”	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 Produce 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

DEFINITIONS

“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws 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 effect 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

DEFINITIONS

“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 BVI and is wholly-owned by the Company
“%”	per cent.

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

In this circular, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “subsidiary(ies)”, “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 circular, unless the context otherwise requires, conversion of Hong Kong dollars into Renminbi is based on the approximate 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 circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

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

LETTER FROM THE BOARD



中国地利集团
China Dili Group

(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)

Executive Directors:

Mr. Wang Yan (Chairman)
Mr. Dai Bin (Chief Executive Officer)

Non-executive Directors:

Mr. Yin Jianhong
Ms. Yang Yuhua

Independent Non-Executive Directors:

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

Registered Office:

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

Principal Place of Business

in Hong Kong:
Suites 1701–1703
One IFC
1 Harbour View Street
Central
Hong Kong

29 May 2020

To the Shareholders

Dear Sir or Madam,

**(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;
(3) PROPOSED GRANT OF SPECIFIC MANDATE
FOR THE CONVERSION SHARES;
AND
(4) NOTICE OF EGM**

A. INTRODUCTION

Reference is made to the announcement of the Company dated 27 April 2020 in relation to, among others, the amendment to the terms and conditions of the Hada Acquisition.

* For identification purpose only

LETTER FROM THE BOARD

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 parties sought to revise the terms and conditions of the Hada Acquisition as a condition precedent pursuant to the Hada Acquisition Agreement dated 5 June 2018 was yet to be satisfied and further time was required to satisfy such condition precedent. With the aim of completing the Original Acquisition, it was agreed between parties that the scope of the Original Hada Target Group will be revised in order to achieve the Hada Completion and to bring in the benefits expected from the Hada Acquisition to the Company. Please refer to the section headed “B. Background” below for details of the background of the Hada Acquisition and the reasons for excluding the Excluded Asset.

The purpose of this circular is to provide you with: (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 termination of the Framework Lease Agreement) 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 Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations from the Independent Financial Adviser; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the accountants’ 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.

B. BACKGROUND

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 outstanding accounts receivables from and payables to New Amuse and its associates were primarily related to the Shouguang Landlord Entity. Since the outstanding receivables of the Shouguang Landlord Entity from related parties (in an amount of approximately RMB530 million as at the Latest Practicable Date) remained unsettled (which

LETTER FROM THE BOARD

may only be settled upon financial resources of New Amuse and its associates becoming available for settlement which are currently committed otherwise), the Shouguang Landlord Entity was unable to repay the outstanding bank borrowings (in an amount of approximately RMB450 million as at the Latest Practicable Date) and pledges over the land and properties held by the Shouguang Landlord Entity to secure among others bank borrowings of related parties in an aggregate amount of approximately RMB2.6 billion remained unreleased on or before the long stop date of the Original Acquisition. 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 the 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 Latest Practicable Date, 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 the 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 including the contingent liability associated with the pledges over land and properties held by Shouguang Landlord Entity to secure related party bank borrowings, 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

LETTER FROM THE BOARD

the operations of the Shouguang Market in the Shandong Province, the PRC. For details of the Shouguang Framework Lease Agreement, please refer to the paragraph headed “C. The Transactions — (III) The Shouguang Framework Lease Agreement” in this section.

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 details of such amendments are set out in the paragraph headed “C. The Transactions — (I) The Deed of Amendment” in this section.

C. THE TRANSACTIONS

(I) The Deed of Amendment

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:

(1) 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 paragraph headed “F. Information relating to the Revised Hada Target Group” in this section for details on the Revised Hada Target Group.

(2) 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 paragraph headed “(II) Principal Terms of The Convertible Bond” in this section.

LETTER FROM THE BOARD

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 the 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 the 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.

LETTER FROM THE BOARD

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 <i>Note 3</i> on land and properties based on property valuation <i>Note 4</i>	Expected NAV + Revaluation gain - IA <i>Note 3</i> on investment properties <i>Note 5</i> <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 - 5.2 billion <i>Note 8</i> <i>Note 10</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 financials as at 31 December 2019 and business valuation and property valuations as at 29 February 2020:

(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 - 5.5 billion <i>Note 13</i> <i>Note 15</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)

LETTER FROM THE BOARD

- Note 1:* The appraised equity value of the Markets was determined pursuant to the preliminary business valuation by the 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 the 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 the 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 at 28 February 2018 adjusted to reflect the Revised Hada Target Group pursuant to the business valuation by the Independent Professional Valuer 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 six markets held as investment properties as at 31 December 2017 of approximately RMB790 million.

LETTER FROM THE BOARD

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 December 2017 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 six markets held as investment properties as at 31 December 2017 of approximately RMB790 million.

Note 11: Adopting the basis in note 1, the appraised equity value as at 29 February 2020 based on the audited accounts of the Revised Hada Target Group as at 31 December 2019 is expected to be approximately RMB11.6 billion, pursuant to the business valuation by the Independent Professional Valuer as set out in Appendix V to this circular.

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 the 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.

The fair value of intangible asset of approximately RMB5.2 billion (RMB3.9 billion exclusive of tax) as at 31 December 2019 was appraised based on an income approach taking into account the future growth potential and asset-specific issues of the Framework Lease Agreement into consideration.

The valuation scope covered the fair value of the intangible asset of the Revised Hada Target Group taking into account the difference between the fair market terms and the contractual terms of the lease agreements under the Framework Lease Agreement. The valuation parameters considered includes a long term growth rate of 2.5% and a discount rate of 19.36%. The major assumptions in this valuation are similar as the assumptions adopted in the business valuation of the Revised Hada Target Group set out on pages V-9 to V-10 in Appendix V to this circular.

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 Revised Hada Target Group's net accounts payables to New Amuse and its associates, as part of the conditions precedent to the Hada Acquisition, immediately prior to the Hada Completion.

The expected NAV of RMB436 million based on the financials of the Original Acquisition as set out in note 8 above was calculated on the basis that all accounts receivables from and payables to the Vendor and its associates and bank borrowings would be settled or capitalized prior to the Hada Completion, and therefore debt-free. Pursuant to the amended structure, at the Hada Completion, the Revised Hada Target Group will no longer be debt-free and taking into account impairment of certain receivables from related parties of approximately RMB805 million due to recoverability issue and that certain bank borrowings would subsist, as a result, it is expected that there would be a decrease in the expected NAV of the Revised Hada Target Group to an expected net liability value compared to the Original Acquisition.

LETTER FROM THE BOARD

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 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 as set out in Appendix VI to this circular and the book value of the land and properties of the Revised Hada Target Group for the operations of the six 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, 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 upon completion of the Hada Acquisition and the termination of the Framework Lease Agreement of approximately RMB11.1 billion (the “**Relevant Valuation**”), subtracting therefrom the book value of the land and properties of the Revised Hada Target Group for the operations of the six markets held as investment properties as at 31 December 2019 of approximately RMB625 million.

The Relevant Valuation was based on the fair value of land and properties of the five markets of approximately RMB6.5 billion upon completion of the Hada Acquisition and the termination of the Framework Lease Agreement and the fair value of the property valuation of land and properties of the Shenyang Market (which will be operated by the Group rather than leasing out to third parties upon the Hada Completion) of approximately RMB4.7 billion upon completion of the Hada Acquisition and the termination of the Framework Lease Agreement, appraised by the Independent Professional Valuer. For further details of the Relevant Valuation, please see note 16 (in respect of valuation methodologies, parameters and assumptions) and note 17 (in respect of comparisons to other valuation approaches used for the Hada Acquisition). The Relevant Valuation was used for the preparation of the unaudited pro forma financial information of the Enlarged Group. Please see note d(2) set out in Appendix IV to this circular.

The book value of RMB430.6 million and RMB194.7 million as at 31 December 2019 of the five markets and the Shenyang Market held as investment properties assuming operations under the Framework Lease Agreement respectively, as shown in note d(2) set out in Appendix IV to this circular were also appraised by the Independent Professional Valuer.

(see note 16 below for the valuation methodologies, parameters and valuation assumptions)

Note 16: Valuation methodologies, parameters and valuation assumptions for the valuation of land and properties set out in note 15

(i) **The Relevant Valuation of RMB11.1 billion**

Methodology

An income approach was adopted based on capitalization of the net operating profits of the real property interests, in which the historical performance and the potential market rents of the real property interests were considered.

Key parameters adopted	
Discount rate:	11.75%–12.25%
Capitalisation rate:	9.25%–9.75%
Long-term growth rate:	2.5%

LETTER FROM THE BOARD

The discounted cash flow method was used to generate the Relevant Valuation which is necessary for the preparation of the unaudited pro-forma financial information of the Enlarged Group under Appendix IV to this circular in accordance with IFRS 3 requirements and the discounted cash flow method was adopted by the Independent Professional Valuer in compliance with the relevant valuation standards and as the appropriate valuation methodology for the valuation of such property interests for the preparation of the unaudited pro forma financial information of the Enlarged Group under Appendix IV to this circular.

The income approach and discounted cash flow method for the valuation of investment property interests comply with the relevant accounting policies for the preparation of the Group's historical financial statements and such approach has been consistently adopted by the Group in the past years.

(ii) **Book value valuation of RMB625.3 million**

Methodology

In view of the real property interests held as investment properties held by Revised Hada Target Group are subject to an existing tenancy, an income approach was adopted whereby based upon the net rental income of real property interests of which Revised Hada Target Group is entitled to receive, and subsequently discounted at a market derived discount rate to arrive at the net present value of the real property interests.

Key parameters adopted	
Discount rate:	11.50%
Capitalisation rate:	9.50%
Long-term growth rate:	2.0%

Valuation Assumptions

The valuations have been made on the assumption that the real property interests are sold in the market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the real property interests. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the real property interests and no forced sale situation in any manner is assumed in the valuations.

Note 17: The land and properties valuation of RMB5.8 billion as required by Rule 5.02 of the Listing Rules (as set out in Appendix VI to this circular) as at 29 February 2020, together with the fair value of intangible asset (reclassified to right-of-use asset) of RMB5.2 billion as at 31 December 2019 as appraised by the Independent Professional Valuer, is comparable in numerical value to the Relevant Valuation (as defined in Note 15 above) of RMB11.1 billion as at 31 December 2019 upon completion of the Hada Acquisition. This represents the incremental value attributable to the land and properties to be acquired in Hada Acquisition. The Relevant Valuation is also comparable in numerical value to the business valuation of the Revised Hada Target Group as appraised by the Independent Professional Valuer using market approach as at 29 February 2020 of approximately RMB11.6 billion. There is therefore no material difference in the conclusion of the underlying fair value of the Revised Hada Target Group with reference to the different valuation approaches adopted and all these different approaches suggested the Revised Hada Consideration represents a discount to the fair value of the underlying assets albeit of different discount rates.

LETTER FROM THE BOARD

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 business valuation of the Revised Hada Target Group as at 29 February 2020 is 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.

LETTER FROM THE BOARD

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), 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 the 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 circular 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.

(3) 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 of the Latest Practicable Date, none of the above conditions precedent has been fulfilled and the parties are not aware of any circumstances which may render the conditions precedent 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.

(II) 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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

- 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;
- (e) a discount of approximately 7.39% over the closing price of the Shares of HK\$1.76 as quoted on the Stock Exchange on the Latest Practicable Date; and
- (f) 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.

LETTER FROM THE BOARD

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 such amendments are independent of and do not concern the Conversion Price, it is accordingly not necessary to adjust the Conversion Price, and (ii) the benefits and synergies expected from the Original Acquisition continue to hold true upon the Hada Completion including but not limited to (a) the saving of rental expenses due to the bringing in of ownership of land and properties on which the six markets situate; (b) the ability to invest and expand such markets without any restrictions and limitations faced as a tenant; (c) the possibility for expansion and future capital expenditure investment in the six markets; and (d) land and properties providing an additional channel for future debt-financing by the Enlarged Group as assets rather than merely operations rights could be used as security, 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. Furthermore, both the Conversion Price under the Convertible Bond and the initial conversion price under the Original Convertible Bond represent a discount to the latest closing price of the Shares of the Company on the last trading day and although the discount rate on the Conversion Price under the Convertible Bond (8.43%) is greater than the discount rate on the initial conversion price under the Original Convertible Bond (2.98%), such discount of 8.43% is within the range of discount to closing price of the shares of the other listed issuers on the Stock Exchange which have conducted similar issues of convertible bonds or convertible notes ("market issues") in the six months prior to the Last Trading Day, the largest discount rate being 13.04%. If instead of the Last Trading Day, the average closing price for the last five trading days is taken the largest discount rate of the market issues would be 16.81% and the Conversion Price would represent only 9.94% discount which is also within range. For details, please refer to the section headed "Letter from the Independent Financial Adviser" of this circular.

On the basis set out above 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.

LETTER FROM THE BOARD

Shareholding Structure of the Company and effect of the issue of Conversion Shares

The details of the shareholding structure of the Company as at the Latest Practicable Date 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 Latest Practicable Date and the Hada Completion Date):

	As at the Latest Practicable Date		Immediately after the Hada Completion and full conversion of the Convertible Bond (for illustrative purpose only) ⁽⁴⁾	
	No. of Shares	Approximate % of the total issued Shares	No. of Shares	Approximate % of the total issued Shares
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⁾	<u>811,707,317</u>	<u>14.20</u>	<u>3,514,336,975</u>	<u>41.74</u>
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	<u>2,768,022,207</u>	<u>48.43</u>	<u>2,768,022,207</u>	<u>32.88</u>
Total	<u>5,715,593,056</u>	<u>100.00</u>	<u>8,418,222,714</u>	<u>100.00</u>

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 Latest Practicable Date.
- (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.

LETTER FROM THE BOARD

(III) The Shouguang 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

LETTER FROM THE BOARD

- 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.

LETTER FROM THE BOARD

D. INFORMATION OF THE GROUP

Yield Smart is an investment holding company incorporated in the BVI with limited liability, which is directly wholly-owned by the Company.

The Group is principally engaged in business operations of 10 agriculture wholesale markets in 7 cities in the PRC namely Hangzhou, Shenyang, Harbin, Guiyang, Shouguang, Qiqihar and Mudanjiang, which provide trading platforms for traders, wholesalers and distributors to buy and sell primarily vegetables and also fruits, seafood, meat, grain and oil and other food produce.

E. INFORMATION OF THE VENDOR

New Amuse is an investment holding company incorporated in the BVI with limited liability, indirectly wholly-owned by Ms. Zhang. As New Amuse is a substantial shareholder of the Company and is indirectly wholly-owned by Ms. Zhang, it is a connected person of the Company under the Listing Rules.

F. INFORMATION RELATING TO THE REVISED HADA TARGET GROUP

Hada Target Company

The Hada Target Company is an investment holding company incorporated in the BVI with limited liability. Prior to the signing of the Deed of Amendment, the Hada Target Company underwent certain corporate reorganisation for the exclusion of the Excluded Asset. As of the Latest Practicable Date, all of the corporate reorganizations have been legally and validly completed and the considerations have been settled by way of capitalization between the relevant entities of the seller group. The Hada Target Company controls eight PRC Landlord Entities upon completion of the reorganisation.

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.

LETTER FROM THE BOARD

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

Excluded in the Revised Hada Target Group:

China Shouguang Agricultural Produce Logistics Park	Shouguang City, Shandong Province	550,000	1,112,000	Wholesale, retail, storage
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Financial information

Based on the accountants' report of the Revised Hada Target Group as set out in Appendix III to this circular, the historical financial information of the 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 accountants' report, the net liability of the Revised Hada Target Group as at 31 December 2019 was approximately RMB2.5 billion, before the capitalization of certain Revised Hada Target Group's net accounts payables to New Amuse and its associates. As at the Latest Practicable Date, the amount of net accounts payables to New Amuse and its associates was RMB2,109.4 million, which is expected to be capitalized prior to the Hada Completion in accordance with the conditions precedent (c). The remainder comprises amounts due to related parties amounted to RMB220.6 million as at 31 December 2019, which are non-interest bearing, unsecured and have no fixed repayment term, and other amounts due to third parties of approximately RMB140 million. As at the Latest Practicable Date, RMB66.4 million of the amounts due to related

LETTER FROM THE BOARD

parties had been settled and the outstanding amount due to related parties in connection with Mr. Dai was RMB154.2 million which will remain subsisting at the Hada Completion. The decision not to settle, capitalized or offset the outstanding RMB154.2 million due to related parties in connection with Mr. Dai (which is non-interest bearing, unsecured and has no fixed repayment term) is a matter of commercial negotiations between the parties. Such outstanding amount has been considered when determining the Revised Hada Consideration as part of the expected NAV. If and when the Enlarged Group is required to repay such outstanding amount, the repayment will be funded using internal resources of the Enlarged Group. For the amounts due to third parties of approximately RMB140 million which mainly comprise payables incurred during the normal operations of the Revised Hada Target Group, such amounts will be settled in accordance with the relevant contractual terms agreed with the suppliers or service providers. Upon satisfaction of condition precedent (c) before the Hada Completion, being the capitalization of certain net accounts payables to New Amuse and its associates, the net liability value of the Revised Hada Target Group will be reduced to no more than RMB400 million immediately prior to the Hada Completion.

Please refer to sections headed “Financial Information of the Revised Hada Target Group” and “Accountants’ Report of the Revised Hada Target Group” set out in Appendix II and Appendix III respectively to this circular for further financial information of the Revised Hada Target Group.

G. RECONCILIATION OF THE VALUATION OF PROPERTIES

For details of the Revised Hada Target Group’s properties as at 29 February 2020 and the text of the valuation certificates of these property interests prepared by the Professional Independent Valuer, please see Appendix VI to this circular.

The following table sets forth the reconciliation of the Revised Hada Target Group’s properties from the consolidated financial statements as of 31 December 2019 to property valuation as at 29 February 2020:

	<i>RMB’000</i>
Net book value of the properties as at 31 December 2019 and 29 February 2020	625,333
Revaluation surplus	<u>5,212,767</u>
Valuation of properties as at 29 February 2020 as set out in the property valuation report set out in Appendix VI to this circular	<u><u>5,838,100</u></u>

LETTER FROM THE BOARD

H. 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. Please refer to the section headed “Letter from the Board — H. Reasons for and benefits of the Acquisitions” for further reasons for and benefits of the Hada Acquisition, as applicable, contained in the 2018 Circular.

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 six 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 Original 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 Enlarged 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 Enlarged 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

LETTER FROM THE BOARD

pledges over land and properties released, in order to maximize the benefits in integrating all the land and properties that the Markets operate on although as of the Latest Practicable Date, there is no definitive timeline for the potential acquisition of the Shouguang Landlord Entity. In addition, to the best knowledge of the Company, the Vendor currently does not have the intention to sell the Shouguang Landlord Entity and/or its land and properties to any third party during the term of the Shouguang Framework Lease Agreement.

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

In light of the above, the Directors (excluding the independent non-executive Directors whose view is set out in the section headed "Letter from the Independent Board Committee" of this circular and the Director who had abstained from voting on the relevant board resolutions(s)) 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 six markets and the potential opportunities in expanding the six markets with future capital expenditure investment; (c) the quality of assets being acquired, and the Directors (including the independent non-executive Directors but excluding the Director who had abstained from voting on the relevant board resolution(s)) 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. Upon the Hada Completion, the land and properties of the Revised Hada Target Group will be integrated into the Enlarged Group to support the operations of the six agriculture markets and the Framework Lease Agreement will be terminated. As referred to under sub-sections "I. Discontinued Connected Transactions" and "J. Implications Under the Listing Rules" of this section of the circular, the leases under the Framework Lease Agreement has been accounted for as a right-of-use asset of the Group, and the termination of such leases at the Hada Completion will technically constitute a major disposal of the Group. Such technical "disposal" arises from and form part and parcel of the Hada Acquisition and accordingly, taking into account factors including (a) to (e) set out in the above, the Directors (excluding the independent non-executive Directors whose view is set out in the section headed "Letter from the Independent Board Committee" of this circular and the Director who had abstained from voting on the relevant board resolutions(s)) consider the termination of the Framework Lease Agreement to also be 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 Shareholders as a whole. The

LETTER FROM THE BOARD

opinion of the Independent Board Committee in relation to the Hada Acquisition, after taking into account the advice from the Independent Financial Adviser is contained in this section headed “Letter from the Independent Board Committee” of this circular.

I. DISCONTINUED CONNECTED TRANSACTIONS

In connection with the acquisition by the Group of the operating rights of the Markets in 2015 Transaction, 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. Upon the adoption of IFRS 16 from 1 January 2019, the leases under the Framework Lease Agreement were reclassified from an intangible asset to a right-of-use assets at the carrying amount. The Group, as a lessee, recognized right-of-use assets and the corresponding lease liabilities in respect of the annual rents for the remaining lease period. Those right-of-use assets which fall into the definition of the investment properties are subsequently measured at fair value and other right-of-use assets relating to property and equipment are subsequently amortised on a straight-line basis over the contractual life of the Framework Lease Agreement.

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.

J. IMPLICATIONS UNDER THE LISTING RULES

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.

LETTER FROM THE BOARD

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.

As part and parcel of the Hada Acquisition and as mentioned in sub-section (I) headed "Discontinued Connected Transactions" of this section of the circular, upon the Hada Completion (where the land and properties of the Revised Hada Target Group will be integrated into the Enlarged Group), the Framework Lease Agreement will be terminated. Given that the leases under the Framework Lease Agreement had been accounted for as a right-of-use asset under IFRS 16 in the audited financial statements of the Group for the year ended 31 December 2019, the early termination of the Framework Lease Agreement will technically constitute a disposal of the right-of-use asset. Based on (i) the value as at 31 December 2019 of the remaining right-of-use asset in connection with the Framework Lease Agreement and (ii) that no consideration, penalty or fee is payable by the Company for such early termination, the said disposal of the right-of-use asset constitutes a connected transaction and major disposal under the Listing Rules subject to reporting, announcement, circular and Independent Shareholders' approval requirements.

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.

L. FINANCIAL EFFECT OF THE HADA ACQUISITION

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

Earnings

As set out in the Accountants' Report on historical financial information of the Revised Hada Target Group in Appendix III to this circular, the revenue and net profit after taxation of the Revised Hada Target Group for the year ended 31 December 2019 were RMB83.5 million and approximately RMB74.4 million, respectively.

LETTER FROM THE BOARD

Assets and Liabilities

Based on the unaudited pro forma financial information as set out in Appendix IV to this circular, assuming that the Hada Completion had taken place on 31 December 2019, the total assets of the Enlarged Group would have increased from approximately RMB13.5 billion to approximately RMB21.0 billion on a pro forma basis, the total liabilities of the Enlarged Group would have increased from approximately RMB4.7 billion to approximately RMB9.1 billion on a pro forma basis, the net assets of the Enlarged Group would have increased from RMB8.8 billion to RMB11.9 billion.

M. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Fan Ren-Da, Anthony, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders on matters in relation to the Hada Acquisition (including the Convertible Bond and the termination of the Framework Lease Agreement) and the proposed grant of the Specific Mandate.

The Company has, with the approval of the Independent Board Committee, appointed Grand Moore as the independent financial adviser in accordance with the requirements under the Listing Rules to advise the Independent Board Committee and the Independent Shareholders on matters in relation to the Hada Acquisition (including the Convertible Bond and the termination of the Framework Lease Agreement) and the proposed grant of the Specific Mandate.

N. RESPONSIBILITY STATEMENT

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

O. EGM

A notice of the EGM to be held at 3:00 p.m., on Wednesday, 24 June 2020 is set out on pages EGM-1 to EGM-3 of this circular for the purpose of considering 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.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M

LETTER FROM THE BOARD

Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire and, in such event, the instrument appointing a proxy will be deemed to be revoked.

In order to determine the list of shareholders who will be entitled to attend and vote at the EGM, the register of members of the Company will be closed for registration of transfer of Shares from Friday, 19 June 2020 to Wednesday, 24 June 2020 (both days inclusive) during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Wednesday, 24 June 2020 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify for attending and voting at the EGM, all transfer documents, accompanied by the relevant Share certificates, should be lodged for registration with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong on or before 4:30 p.m., Thursday, 18 June 2020.

In light of the COVID-19 pandemic, to safeguard the health and safety of the Shareholders and other attendees of the EGM and to minimize the risks of spreading the virus and infection, the Company encourages Shareholders NOT to attend the EGM in person but appoint the chairman of the EGM as their proxy to vote on relevant resolution according to their indicated voting instructions as an alternative.

P. VOTING AT THE EGM AND THE BOARD MEETINGS

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 resolution at the EGM.

Voting at the EGM will be conducted by poll.

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) at the Board meeting.

Q. RECOMMENDATIONS

The Independent Board Committee, having considered the terms and conditions of the Hada Acquisition (including the Convertible Bond and the termination of the Framework Lease Agreement) and the proposed grant of the Specific Mandate and after taking into account the advice from the Independent Financial Adviser, considers that the Hada Acquisition (including the Convertible Bond and the termination of the Framework Lease Agreement) and the

LETTER FROM THE BOARD

proposed grant of the Specific Mandate are fair and reasonable, on normal commercial terms, 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 Directors accordingly recommends that the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Hada Acquisition (including the Convertible Bond and the termination of the Framework Lease Agreement) and the proposed grant of the Specific Mandate.

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

The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders with regard to the Hada Acquisition (including the Convertible Bond and the termination of the Framework Lease Agreement) and the proposed grant of the Specific Mandate and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on pages 41 to 86 of this circular.

R. FURTHER INFORMATION

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

S. WARNING

The Hada Acquisition is subject to a number of conditions precedent including approvals by the Shareholders at the EGM and the approval from the Stock Exchange, which may or may not be fulfilled. In the event that any of the conditions precedent to the Hada Completion is not fulfilled, the Hada Acquisition Agreement (including the Deed of Amendment) will not become unconditional and the Hada Acquisition will not proceed.

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

Yours faithfully,
For and on behalf of the Board of
China Dili Group
Wang Yan
Chairman



中国地利集团
China Dili Group

(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)

29 May 2020

To the Independent Shareholders

Dear Sir or Madam,

**(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;
(3) PROPOSED GRANT OF SPECIFIC MANDATE
FOR THE CONVERSION SHARES;
AND
(4) NOTICE OF EGM**

We refer to the circular dated 29 May 2020 issued by the Company of which this letter forms part of (the “**Circular**”). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been authorized by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders in respect of the Hada Acquisition (including the Convertible Bond and the termination of the Framework Lease Agreement) and the proposed grant of the Specific Mandate, details of which are set out in the section headed “Letter from the Board” contained in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 9 to 38 of the Circular and the letter of advice from Grand Moore, the Independent Financial Adviser appointed to advise the Independent Board Committee on the Hada Acquisition (including the Convertible Bond and the termination of the Framework Lease Agreement) and the proposed grant of the Specific Mandate set out on pages 41 to 86 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the Hada Acquisition (including the Convertible Bond and the termination of the Framework Lease Agreement) and the proposed grant of the Specific Mandate are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,
for and on behalf of the
Independent Board Committee
China Dili Group
Fan Ren-Da, Anthony
Wang Yifu
Leung Chung Ki
Tang Hon Man
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Hada Acquisition, the Disposal (as defined therein) and the proposed grant of the Specific Mandate, and prepared for the purpose of incorporation into this circular.



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

29 May 2020

*To the Independent Board Committee and
the Independent Shareholders of China Dili Group*

Dear Sirs,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED AMENDMENT TO HADA ACQUISITION; AND (2) PROPOSED GRANT OF SPECIFIC MANDATE FOR THE CONVERSION SHARES

INTRODUCTION

We refer to (i) our letter of advice dated 29 June 2018 in relation to, amongst others, the Original Acquisition set out in the 2018 Circular; and (ii) our engagement by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Hada Acquisition (including the Convertible Bond and the disposal (the “**Disposal**”) of right-of-use asset arising out of the termination of the Framework Lease Agreement) and the proposed grant of the Specific Mandate, the particulars of which have been set out in a circular to the Shareholders dated 29 May 2020 (the “**Circular**”) and in which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter shall have the same meanings as defined in the Circular.

Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Hada Acquisition (including the Convertible Bond), the Disposal 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 Group 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 in respect of the Hada Acquisition, the Disposal and the transactions contemplated thereunder. Details of the reasons for and benefits of entering into the Deed of Amendment are set out in the “Letter from the Board” (the “**Board Letter**”) in the Circular, section headed “H. Reasons for and benefits of entering into the Deed of Amendment and the Shouguang Framework Lease Agreement”. Further reasons for and benefits of the Original Acquisition are set out in the letter from the board, section headed “H. Reasons for and benefits of the Acquisitions”, in the 2018 Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reference is made to the announcement of the Company dated 27 April 2020 in relation to, among others, the amendment to the terms and conditions of the Hada Acquisition.

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 parties sought to revise the terms and conditions of the Hada Acquisition as a condition precedent pursuant to the Hada Acquisition Agreement dated 5 June 2018 was yet to be satisfied and further time was required to satisfy such condition precedent. The outstanding accounts receivables from and payables to New Amuse and its associates were primarily related to the Shouguang Landlord Entity. Since the outstanding receivables of the Shouguang Landlord Entity from related parties (in an amount of approximately RMB530 million as at the Latest Practicable Date) remained unsettled (which may only be settled upon financial resources of New Amuse and its associates becoming available for settlement which are currently committed otherwise), the Shouguang Landlord Entity was unable to repay the outstanding bank borrowings (in an amount of approximately RMB450 million as at the Latest Practicable Date) and pledges over the land and properties held by the Shouguang Landlord Entity to secure among others bank borrowings of related parties in an aggregate amount of approximately RMB2.6 billion remained unreleased on or before the long stop date of the Original Acquisition. With the aim of completing the Original Acquisition, it was agreed between parties that the scope of the Original Hada Target Group will be revised in order to achieve the Hada Completion and to bring in the benefits expected from the Hada Acquisition to the Company. Please refer to the section headed “B. Background” in the Board Letter for details of the background of the Hada Acquisition and the reasons for excluding the Excluded Asset.

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.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As part and parcel of the Hada Acquisition and as mentioned in sub-section headed “I. Discontinued Connected Transactions” of the Circular, upon the Hada Completion (where the land and properties of the Revised Hada Target Group will be integrated into the Enlarged Group), the Framework Lease Agreement will be terminated. Given that the leases under the Framework Lease Agreement had been accounted for as right-of-use asset under IFRS 16 in the audited financial statements of the Group for FY2019 (as defined below), the early termination of the Framework Lease Agreement will technically constitute the Disposal of the right-of-use asset. Based on (i) the value as at 31 December 2019 of the remaining right-of-use asset in connection with the Framework Lease Agreement; and (ii) that no consideration, penalty or fee is payable by the Company for such early termination, the said Disposal of the right-of-use asset constitutes a connected transaction and major disposal under the Listing Rules subject to reporting, announcement, circular and Independent Shareholders’ approval requirements.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial Shareholders, Directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Hada Acquisition and the Disposal. In the past two years, we have not acted as any financial adviser role to the Company but we have acted as an independent financial adviser to the independent board committee and independent shareholders of the Company in its Original Acquisition which constituted a very substantial acquisition and connected transaction, and another major acquisition and connected transaction (collectively the “**Previous Appointments**”), the details of which are set out in the 2018 Circular and the Company’s circulars dated 30 September 2019 respectively.

Apart from normal professional fees paid or payable to us in connection with the Previous Appointments and current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling shareholders that could reasonably be regarded as relevant to our independence. Moreover, we have maintained our independence from the Company during the Previous Appointments, accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Hada Acquisition.

BASIS OF ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the Company’s annual report for the year ended 31 December 2019 (the “**2019 Annual Report**”); (iii) other information provided by the Directors and the management of the Company (the “**Management**”); (iv) the opinions expressed by and the representations of the Management; and (v) the business valuation report and property valuation report on the PRC Operating Companies (excluding the Shouguang Operating Company) and/or the Revised Hada Target Group (the “**Business Valuation Report**” and the “**Property Valuation Report**” respectively, collectively the “**Valuation Reports**”) (as applicable) as set out in the sections

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

headed “Business valuation of the Revised Hada Target Group” in Appendix V to the Circular and “Property valuation of the Revised Hada Target Group” in Appendix VI to the Circular respectively. We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management (where applicable), which have been provided to us.

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

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Chapters 13 and 14A of the Listing Rules.

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

We have assumed that the Hada Acquisition and the Disposal will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all necessary consents, authorizations and approvals in respect of the Hada Acquisition and the Disposal, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Hada Acquisition and the Disposal. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

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

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in relation to the Hada Acquisition and the Disposal, we have taken into consideration the following factors:

1. Information on the Group

As stated in the Board Letter, the Group is principally engaged in business operations of ten agriculture wholesale markets in seven cities in the PRC namely Hangzhou, Shenyang, Harbin, Guiyang, Shouguang, Qiqihar and Mudanjiang, which provide trading platforms for traders, wholesalers and distributors to buy and sell primarily vegetables and also fruits, seafood, meat, grain and oil and other food produce.

Set out below is a summary of the audited consolidated financial information of the Group for each of the years ended 31 December 2018 and 2019 (“FY2018” and “FY2019”, respectively) as extracted from the 2019 Annual Report.

	FY2019 <i>RMB'000</i>	FY2018¹ <i>RMB'000</i>
Revenue	1,421,019	1,128,654
Profit/(Loss) attributable to equity shareholders of the Company	557,285	(360,901)
	As at 31 December	
	2019 <i>RMB'000</i>	2018¹ <i>RMB'000</i>
Total assets	13,505,339	11,589,305
Total liabilities	4,681,061	3,075,758
Net assets attributable to equity shareholders of the Company	8,612,927	8,401,717
Cash at bank and on hand	671,619	1,354,070

Note:

- The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further information on the significant accounting policies of the Group is set out in note 2 — significant accounting policies to the financial statements in the 2019 Annual Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded an increase in revenue of approximately RMB292,365,000, or approximately 25.9%, from approximately RMB1,128,654,000 in FY2018 to approximately RMB1,421,019,000 in FY2019. As per the 2019 Annual Report, such increase in revenue was attributable to (i) increase in commission income, which was primarily based on either value of transactions or weight of products that the Group charges to traders, of approximately 24.6% to approximately RMB1,009,960,000 in FY2019 as compared to approximately RMB810,572,000 in FY2018; and (ii) increase in lease income from leasing of space at the warehouses, icehouses and other facilities the Group has at its markets of approximately 29.2% to approximately RMB411,059,000 in FY2019 as compared to approximately RMB318,082,000 in FY2018. Moreover, the Group managed to turn around from net loss attributable to equity shareholders of the Company of approximately RMB360,901,000 in FY2018 to net profit attributable to equity shareholders of the Company of approximately RMB557,285,000 in FY2019. As extracted from the Company's positive profit alert announcement dated 23 March 2020, the turnaround was mainly due to the combined effects of the following factors: (i) the increase in revenue by approximately RMB292.4 million as compared to that of FY2018, representing a year-on-year growth of approximately 25.9% due to the improvement of performance in agriculture wholesale markets as a whole and the acquisition of the Hangzhou business which was completed on 24 July 2018; (ii) the decrease in entertainment, legal and professional fee and trip expenses totaling approximately RMB62.6 million as a result of taking effective cost control measures; (iii) the elimination of a loss on disposal of two aircrafts in December 2018 amounting to approximately RMB188.3 million which had an one-off negative impact on the results of the Group for FY2018; (iv) the significant reduction in expenses incurred for the maintenance and usage of two aircrafts after their disposal as referred to in (iii) immediately above. The related expenses arising from such aircrafts amounted to approximately RMB144.2 million for FY2018; and (v) the estimated positive impact of approximately RMB323.2 million in adopting IFRS 16 to the results of the Group for FY2019. This was calculated by comparing the results reported under IFRS 16 in the consolidated financial statements to the hypothetical amounts that would have been recognized under International Accounting Standards 17, Leases ("IAS 17"), should this superseded standard continue to apply in 2019 instead of IFRS 16 for FY2019.

As at 31 December 2019, the Group had consolidated total assets, total liabilities and net assets attributable to equity shareholders of the Company of approximately RMB13,505,339,000, RMB4,681,061,000 and RMB8,612,927,000 respectively. We noticed that total liabilities increased from approximately RMB3,075,758,000 as at 31 December 2018 to approximately RMB4,681,061,000 as at 31 December 2019, representing an increase of approximately 52.2%. As advised by the Management, such increase was mainly attributable to, among other things, the initial adoption of IFRS 16 and resulting in the recognition of lease liabilities relating to leases which were previously classified as operating leases under IAS 17 as at 1 January 2019. We also note that the Group had cash at bank and on hand of approximately RMB671,619,000 as at 31 December 2019 which represents a significant decrease of approximately 50.4% from the Group's cash at bank and on hand of approximately RMB1,354,070,000 as at 31 December 2018. Having considered the Group's cash position as discussed above and the Revised Hada Consideration of RMB4.0 billion (equivalent to approximately HK\$4.4 billion), the issue of the Convertible Bond in the aggregate principal amount of approximately HK\$4.4 billion (equivalent to approximately RMB4.0 billion) as full settlement of the Revised Hada Consideration appears appropriate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Information on the Revised Hada Target Group

2.1 Background information on the Hada Target Company

The Hada Target Company is an investment holding company incorporated in the BVI with limited liability. Prior to the signing of the Deed of Amendment, the Hada Target Company underwent certain corporate reorganization for the exclusion of the Excluded Asset. As of the Latest Practicable Date, all of the corporate reorganizations have been legally and validly completed and the considerations have been settled by way of capitalization between the relevant entities of the seller group. The Hada Target Company controls eight PRC Landlord Entities upon completion of the reorganization.

2.2 Background information on the 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.

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 Markets	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 Logistics 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 Logistics 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Excluded in the Revised Hada Target Group:

China Shouguang Agricultural Produce Logistics Park	Shouguang City, Shandong Province	550,000	1,112,000	Wholesale, retail, storage
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2.3 Financial information on the Revised Hada Target Group

Based on the audited accountants' report of the Revised Hada Target Group as set out in Appendix III to the Circular, the selected consolidated historical financial information of the Revised Hada Target Group for the year ended 31 December 2017 (“FY2017”), FY2018 and FY2019 is set out below.

	FY2019 <i>RMB'000</i>	FY2018 <i>RMB'000</i>	FY2017 <i>RMB'000</i>
Revenue	83,497	78,430	79,974
Net profit/(loss)	74,421	(14,583)	(98,802)

In relation to the turn-around from a loss-making position during FY2017 and FY2018 into a profit-making one during FY2019, we note from note 5 to the audited accountants' report of the Revised Hada Target Group as set out in Appendix III to the Circular that the Revised Hada Target Group recorded other net income of approximately RMB95,443,000 during FY2019. The aforementioned note 5 further explains that a majority of the other net income during FY2019 was contributed by a waiver of VAT provision and related tax penalties of approximately RMB128,099,000 which based on the Management's representation, is one-off in nature. In connection with the historical loss-making position of the Revised Hada Target Group, we have made reference to the Company's circular dated 29 June 2015 (the “**2015 Circular**”) issued in connection with, amongst others, the 2015 Transaction and the Framework Lease Agreement. In particular, we note from page 85 of the 2015 Circular that the Company's then independent financial adviser has made the observation that: “*JLL (i.e. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the then valuer) considered that the level of the annual rent as stipulated in the Framework Lease Agreement was below the fair market rental. In fact, the fair market rental during the term of the Framework Lease Agreement, on an annual basis, represent a range of 6.7 times to 11.3 times of the corresponding annual rent as stipulated in the Framework Lease Agreement.*” Given that the Framework Lease Agreement was entered into between New Amuse (as lessor) and Yield Smart (as lessee) with the land and properties for the Markets being held by the PRC Landlord Entities which are within the Revised Hada Target Group, it follows that the favorable rental arrangement (to Yield Smart) under the Framework Lease Agreement has resulted in the Revised Hada Target Group receiving rental income that is substantially less than what the market would have otherwise commanded. Accordingly, we are of the view that the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

historical financial results of the Revised Hada Target Group presented above are not representative of the actual performance of the Revised Hada Target Group had it been able to charge market rental income as its main revenue source.

Based on the audited accounts, the net liability value of the Revised Hada Target Group as at 31 December 2019 was approximately RMB2,467,988,000, before the capitalization of certain net accounts payables to New Amuse and its associates of the Revised Hada Target Group. As at the Latest Practicable Date, the amount of net accounts payables to New Amuse and its associates was approximately RMB2,109.4 million, which is expected to be capitalized prior to the Hada Completion in accordance with the conditions precedent (c). The remainder comprises the amounts due to related parties amounted to approximately RMB220.6 million as at 31 December 2019, which are non-interest bearing, unsecured and have no fixed repayment term and other amounts due to third parties of approximately RMB140 million. As at the Latest Practicable Date, approximately RMB66.4 million of the amounts due to related parties had been settled and the outstanding amount due to related parties in connection with Mr. Dai was approximately RMB154.2 million which will remain subsisting at the Hada Completion. The decision not to settle, capitalized or offset the outstanding RMB154.2 million due to related parties in connection with Mr. Dai (which is non-interest bearing, unsecured and has no fixed repayment term) is a matter of commercial negotiations between the parties. Such outstanding amount has been considered when determining the Revised Hada Consideration as part of the expected NAV. If and when the Enlarged Group is required to repay such outstanding amount, the repayment will be funded using internal resources of the Enlarged Group. For the amounts due to third parties of approximately RMB140 million which mainly comprise payables incurred during the normal operations of the Revised Hada Target Group, such amounts will be settled in accordance with the relevant contractual terms agreed with the suppliers or service providers. Upon satisfaction of condition precedent (c) before the Hada Completion, being the capitalization of certain net accounts payables to New Amuse and its associates, the net liability value of the Revised Hada Target Group will be reduced to no more than RMB400,000,000 immediately prior to the Hada Completion.

Please refer to sections headed “Financial information of the Revised Hada Target Group” and “Accountants’ report of the Revised Hada Target Group” set out in Appendix II and Appendix III, respectively, to the Circular for further financial information of the Revised Hada Target Group.

2.4 Valuations on the Revised Hada Target Group

2.4.1 Independence, qualification and scope of work of the Independent Professional Valuer

We have reviewed and enquired into the qualifications and experience of the Independent Professional Valuer in relation to the preparation of the Valuation Reports, and noted that the Independent Professional Valuer, namely BMI Appraisals Limited, is an international appraisal firm having presence in Hong Kong (the headquarter), the PRC, Singapore, Malaysia and Australia and providing a wide

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

spectrum of professional valuation and consultancy services to clients worldwide relating to, among others, initial public offering, mergers and acquisitions and corporate financing and composed of a team of 160 professionals with international exposure including but not limited to Chartered Surveyors, Certified Public Valuers, Certified Accountants and Chartered Financial Analysts.

According to information provided by the Independent Professional Valuer, the responsible person in charge of the Business Valuation Report, namely Dr. Tony C. H. Cheng has extensive experience in valuation of all kinds of properties and businesses in, among others, all major cities and areas in the PRC, Hong Kong, Macau, Taiwan, Singapore, Malaysia for purposes such as public flotation, financing, lease renewal, joint venture acquisition and disposal, etc., while the responsible persons in charge of the Property Valuation Report, namely Ms. Joannau W. F. Chan and Mr. Man C. M. Lam, have extensive experience in providing a wide array of professional valuation and consultancy services for landlord properties in major cities in the PRC, Hong Kong, Macau and various countries in south east Asia in connection with listing, asset valuations for accounting use, corporate financing and merger acquisition purposes.

We have also reviewed the Independent Professional Valuer's terms of engagement with the Company in relation to the Valuation Reports and having particular regards to the scope of work, and noted that the scope of work is appropriate to the opinion required to be given and there is no limitation on the scope of work which might adversely impact on the degree of assurance given by the Independent Professional Valuer in the Valuation Reports.

Besides, we have enquired whether the Independent Professional Valuer has any current or prior relationships with the Company, the Vendor, and core connected persons of either the Company or the Vendor. The Independent Professional Valuer confirmed that it is independent of and not connected with the Group, the Vendor and their respective associates.

2.4.2 The Business Valuation Report

Reference is made to the Business Valuation Report compiled by the Independent Professional Valuer as set out in Appendix V in the Circular. As per the Business Valuation Report, generally accepted valuation approaches considered in the course of the business valuation of the Revised Hada Target Group include (i) income approach; (ii) market approach; and (iii) cost approach.

However, the Independent Professional Valuer decided to adopt the market approach because the income approach heavily relies on subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections are required to arrive at an indication of value, while cost approach does not directly incorporate information about the economic benefits contributed by the subject asset. Therefore, market approach is considered to be the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

most appropriate valuation approach in the valuation assignment, as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

Under the market approach, the Independent Professional Valuer adopted the guideline company method which computes a price multiple for publicly listed companies that are considered to be comparable to the Revised Hada Target Group and then applies the result to a base of the Revised Hada Target Group, with adjustments of control premium and discount for lack of marketability.

As per the Business Valuation Report, we observed that the control premium and discount of lack of marketability made reference to the Mergerstat Control Premium Study published by FactSet Mergerstat, LLC. and the Stout Restricted Stock Study published by Business Valuation Resources, LLC in 2020, respectively. Both sources of reference were also applied to the valuation of the Original Hada Target Group. Yet, the discount for lack of marketability and control premium adopted by the Independent Professional Valuer in the Business Valuation Report set out in the Circular slightly deviate from that applied in the business valuation (the “**Previous Valuation**”) of the Original Hada Target Group as included in the 2018 Circular. The discount for lack of marketability and control premium adopted for the Business Valuation Report are 15.8% and 23.5% respectively, while the discount for lack of marketability and control premium adopted for the Previous Valuation were 15.9% and 26.8% respectively. With reference to the Business Valuation Report, such difference in discount for lack of marketability and control premium adopted is mainly attributable to the difference in date range applied by the aforementioned studies. However, we note that the underlying methodologies applied to determine the discount for lack of marketability and control premium remain the same for the Business Valuation Report and the Previous Valuation. Therefore, we are of the view that the basis of determination of the control premium and discount for lack of marketability is fair and reasonable.

In the course of the business valuation of the Revised Hada Target Group, the Independent Professional Valuer has considered various price multiples including the enterprise value (“**EV**”)-to-earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) multiple (“**EV/EBITDA**”), EV-to-earnings before interest and taxes (“**EBIT**”) multiple (“**EV/EBIT**”), price-to-earnings multiple (“**P/E**”), price-to-sales multiple (“**P/S**”) and the price-to-book multiple (“**P/B**”). Having considered (i) EV/EBIT is susceptible to differences in depreciation and amortization policy; (ii) P/E does not capture differences in financial leverage and related risk features across the companies; (iii) P/S does not capture differences in cost structure across companies; and (iv) P/B does not reflect the value of intangible economic assets such as human capital, and inflation and technological change can cause the book values and market values of assets to differ significantly. Therefore, the Independent Professional Valuer is of the view that EV/EBITDA is relatively appropriate in this business valuation assignment since it excludes depreciation and amortization and includes the short-term and long-term debts in calculation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to reach the conclusion of RMB11,600,000,000 for the market value of 100% equity interest in the PRC Operating Companies (excluding the Shouguang Operating Company) and the Revised Hada Target Group as at 29 February 2020, we were advised by the Independent Professional Valuer that 7 comparable companies which satisfy the selection criteria of (i) the principal activities being located in the PRC according to the latest available financial statements; (ii) as at the valuation date, being 29 February 2020, are principally engaged in the distribution of agricultural produce or related business; (iii) have positive EV and normalized earnings for the trailing 12 months as stated in the latest available financial statements; (iv) shares of the comparable companies are trading as at the date of valuation; and (v) detailed financial information in respect of the comparable companies is available at publicly available sources. In addition to the selection criteria above, the Independent Professional Valuer has also taken into account other factors such as control premium and discount for lack of marketability.

2.4.3 The Property Valuation Report

Reference is made to the Property Valuation Report compiled by the Independent Professional Valuer as set out in Appendix VI to the Circular. As per the Property Valuation Report, the Revised Hada Target Group holds real property interest for property lease and operation, the Independent Professional Valuer adopted the investment approach which capitalizes the net rentals of the real property interests of which the Revised Hada Target Group is entitled to receive for the residual term of the lease of the real property interests, where appropriate, the Independent Professional Valuer has adopted the comparison approach which assumes sale in their existing states with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market.

The real property interests held by the Revised Hada Target Group together with another real property interest (Shouguang Market) are leased to Yield Smart from New Amuse for a term of 20 years, with an option to renew for a further term, at an annual rent of RMB105 million (exclusive of operating charges and other outgoings) as at the valuation date. Prior to reaching the concluded property value of the Revised Hada Target Group, the Independent Professional Valuer was instructed by the Company to assume such lease had been terminated as at the valuation date.

As per discussion between us and the Independent Professional Valuer, we were advised that in the course of property valuation, the Independent Professional Valuer made reference to various rental information of similar real properties which were selected based on the following criteria: (i) conducted as near to the valuation date as practicable; (ii) similar usages, being market stalls, apartments, storage, etc.; and (iii) located in the same city as the properties subject to valuation. Moreover, we noted that the Property Valuation Report has been prepared in accordance with The HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and the International Valuation Standards published by The International Valuation Standards Council and are in compliance with the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.4.4 Conclusion on the Business Valuation Report

With regards to the Business Valuation Report, we have complied with the requirements under note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct by performing, including but not limited to, the following works: (i) discussed with the Independent Professional Valuer regarding the methodology applied and principal bases and assumptions adopted in the Business Valuation Report; (ii) assessed the experience and expertise of the person responsible for the Business Valuation Report, namely Dr. Tony C. H. Cheng, and the Independent Professional Valuer's recent valuation assignments for public documentation; (iii) enquired on any current or prior relationships with the Company and the Vendor, and core connected persons of either the Company or the Vendor to the Hada Acquisition; and (iv) reviewed the terms of engagement in respect of the Business Valuation Report.

Based on aforementioned works performed by us, we are of the view that (i) methodology applied and principal bases and assumptions adopted in the Business Valuation Report are fair and reasonable; (ii) the scope of services as illustrated in the engagement letter is appropriate; (iii) the Independent Professional Valuer, Dr. Tony C. H. Cheng being the responsible person of the Business Valuation Report, has adequate qualifications, experience and expertise, and hence are competent to issue the Business Valuation Report. Nothing has come to our attention that causes us to doubt the fairness and reasonableness of the Business Valuation Report. Therefore, we consider that the Business Valuation Report is a fair reference for calculation of the Revised Hada Consideration.

2.4.5 Conclusion on the Property Valuation Report

With regards to the Property Valuation Report, we have complied with the requirements under note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct by performing, including but not limited to, the following works: (i) discussed with the Independent Professional Valuer regarding the methodology applied and principal bases and assumptions adopted in the Property Valuation Report; (ii) assessed the experience and expertise of the persons responsible for the Property Valuation Report, namely Ms. Joannau W. F. Chan and Mr. Man C.M. Lam, and the Independent Professional Valuer's recent valuation assignments for public documentation; (iii) enquired on any current or prior relationships with the Company and the Vendor, and core connected persons of either the Company or the Vendor to the Hada Acquisition; and (iv) reviewed the terms of engagement in respect of the Property Valuation Report.

Based on aforementioned works performed by us, we are of the view that (i) methodology applied and principal bases and assumptions adopted in the Property Valuation Report are fair and reasonable; (ii) the scope of services as illustrated in the engagement letter is appropriate; (iii) Ms. Joannau W. F. Chan and Mr. Man

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

C.M. Lam, being the responsible persons of the Property Valuation Report, have adequate qualifications, experience and expertise, and hence are competent to issue the Property Valuation Report.

During the conversation between us and the Independent Professional Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the property valuation methodology and the principal basis and assumptions adopted in arriving at market value of the real properties held by the Revised Hada Target Group as at 29 February 2020 of approximately RMB5,838,100,000. Therefore, we consider that the Property Valuation Report is a fair reference for calculation of the Revised Hada Consideration.

3. Information on Yield Smart

Yield Smart, as purchaser, is an investment holding company incorporated in the BVI with limited liability, which is directly wholly-owned by the Company.

4. Information on the Vendor

The Vendor is an investment holding company incorporated in the BVI with limited liability, indirectly wholly-owned by Ms. Zhang. As New Amuse is a substantial shareholder of the Company and is indirectly wholly-owned by Ms. Zhang, it is a connected person of the Company under the Listing Rules.

5. Reasons for and benefits of entering into the Deed of Amendment

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. Please refer to the paragraph headed “H. Reasons for and benefits of the Acquisitions” for further reasons for and benefits of the Hada Acquisition, as applicable, contained in the letter from the board in the 2018 Circular.

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 six markets to the 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 Original Hada Target Group remain unsatisfied and certain pledges

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Enlarged 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 Enlarged 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 although as of the Latest Practicable Date, there is no definitive timeline for the potential acquisition of the Shouguang Landlord Entity. In addition, to the best knowledge of the Company, the Vendor currently does not have the intention to sell the Shouguang Landlord Entity and/or its land and properties to any third party during the term of the Shouguang Framework Lease Agreement.

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

In light of the above, the Directors (excluding the independent non-executive Directors whose view is set out in the "Letter from the Independent Board Committee" of the Circular and the Director who had abstained from voting on the relevant board resolutions(s)) 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 six markets and the potential opportunities in expanding the six markets with future capital expenditure investment; (c) the quality of assets being acquired, and the Directors (including the independent non-executive Directors but excluding the Director who had abstained from voting on the relevant board resolution(s)) are of the view

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

We note from the 2018 Circular that the Hada Acquisition will enable the Company to achieve a potential expansion in space, scale and upgrading of the Markets, which can only be achieved by the Company as a landlord in both the hardware and software of the Markets. Furthermore, by investing and upgrading in these land and properties, the Company can potentially generate more commission income and rental income from the lease of space in the Markets and higher commission income from the enhanced operations. The Hada Acquisition is expected to bring in the benefits of integration of land and properties with operating companies of the Markets to Shareholders. Given that (i) each Market operates independently on their respective land and properties; and (ii) the long-term continuous operation of the Shouguang Market (i.e. China Shouguang Agricultural Produce Market) is warranted having considered the Shouguang Framework Lease Agreement, it is expected that there will be no business disruption in the operations of the Markets and hence, the Management is of the view, and we concur, that the carving out of the Excluded Asset would not have material impact on the Enlarged Group.

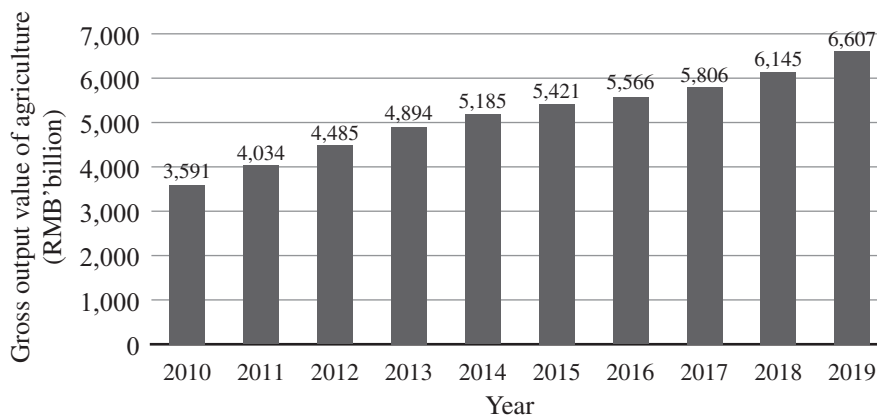
Upon the Hada Completion, the Company will become the owner in both the hardware and software of the six markets, namely Shenyang Shouguang Dili Agricultural Produce and Side Products Market, Harbin Hada Agricultural Produce Market, Guiyang Agricultural Produce Logistics Park, Qiqihar Hada Agricultural Produce Market, Muda International Agricultural Produce Logistics Park and Harbin Youyi Agricultural Produce Market, which the eight PRC Landlord Entities hold. Despite that the Excluded Asset is being carved out from the Revised Hada Target Group and potential expansion in space, scale and upgrading of the Shouguang Market could not be materialized, the Shouguang Market operates independently on its respective land and properties, and the long-term continuous operation of the Shouguang Market is warranted having considered the Shouguang Framework Lease Agreement. By investing and upgrading the land and properties of the six markets, the Management expects the aforesaid synergies and benefits would continue to hold true upon the Hada Completion. Therefore, the entering into of the Hada Acquisition Agreement (as supplemented by the Deed of Amendment) is in the interest of the Group and the Shareholders as a whole.

5.1 Overview of the agricultural sector in the PRC

The PRC economy has experienced remarkable growth since reforms were initiated in 1978, rising income in conjunction with urbanization population growth and other dynamics of the economy have led to changes in demand and consumption patterns of consumers in the PRC. Population in the PRC grew from approximately 1,395.4 million in 2018 to approximately 1,400.1 million in 2019, representing an increase of approximately 0.33% while disposable income per capita (on an annual basis) increased from approximately RMB28,228 in 2018 to approximately RMB30,733 in 2019, representing an increase of approximately 8.9%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

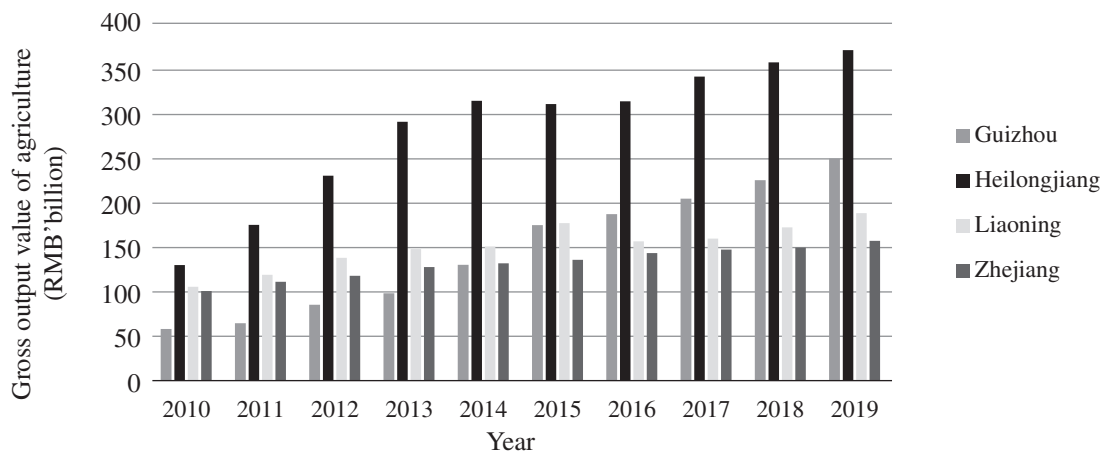
Gross output value of agriculture in the PRC



Source: National Bureau of Statistics of China

The graph above depicts the consistent upward trend in the gross output value of agriculture in the PRC since 2010, the gross output value of agriculture increased from approximately RMB3,591 billion in 2010 to approximately RMB6,607 billion in 2019, representing a compound annual growth rate (“CAGR”) of approximately 7.0% or an overall increase of approximately 84.0%.

Gross output value of agriculture in the PRC by province



Source: National Bureau of Statistics of China

In the provinces where the Enlarged Group operates namely Guizhou, Heilongjiang, Liaoning and Zhejiang provinces, the gross output value of agriculture has been increasing steadily since 2010. The gross output value of agriculture of Guizhou, Heilongjiang, Liaoning and Zhejiang increased from approximately RMB58.8 billion, RMB132.0 billion, RMB107.1 billion and RMB102.3 billion in 2010 to approximately RMB253.6 billion, RMB377.4 billion, RMB191.2 billion and RMB159.5 billion in 2019, respectively, representing a CAGR of approximately 17.6%, 12.4%, 6.7% and 5.1%, respectively, or an overall increase of approximately 331.5%, 185.9%, 78.5% and 55.9%,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

respectively over the period. Therefore, the Revised Hada Target Group is considered to be operating in provinces which have positive long-term prospects in terms of agricultural sector.

With reference to an article published by the National Bureau of Statistics of China dated 5 August 2019, “Agricultural production jumps to a new level, modern agriculture marks a new blueprint-Twelfth series of reports on the achievements of economic and social development in the 70th anniversary of the founding of the PRC” (農業生產躍上新台阶現代農業擘畫新藍圖 — 新中國成立70週年經濟社會發展成就系列報告之十二), notable results in resolving the “three rural issues” have been observed despite a weak agricultural foundation and extreme poverty. For instance, the agricultural production capacity has been significantly enhanced, the structure of the agricultural sector has been optimized and high quality agricultural products have been developed rapidly. Although the PRC government has reached a milestone by now, the PRC government still continuously strives to develop agricultural and rural areas, implement rural revitalization strategies, adjust the supply-side structure of the agricultural sector and accelerate the development of agricultural modernization. Therefore, we are of the view that the agricultural sector is expected to achieve long-term prosperity under the aforementioned favorable policies.

6. Information on the Deed of Amendment

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:

(1) 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 paragraph headed “F. Information relating to the Revised Hada Target Group” in the Board Letter for details on the Revised Hada Target Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(2) *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) Principal terms of the Convertible Bond” in the Board Letter.

(3) *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. For further details in relation to the revised conditions precedent to the Hada Completion, please refer to the paragraph headed “(3) Revised conditions precedent” under the section headed “(I) The Deed of Amendment” in the Board Letter.

7. Basis of the Revised Hada Consideration

7.1 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 the 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 the Independent Professional Valuer. The Hada Consideration represented approximately 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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7.2 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 <small>Note 1</small>	Expected NAV + <small>Note 3</small>	Expected NAV + <small>Note 3</small>
	Revaluation gain on land and properties based on property valuation <small>Note 4</small>	Revaluation gain – IA on investment properties <small>Note 5</small>
		– IA <small>Note 2</small>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (2) Valuation of the Revised Hada Target Group based on the financials and valuations used in the 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 – 5.2 billion <i>Note 8</i> <i>Note 10</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 financials as at 31 December 2019 and business valuation and property valuations as at 29 February 2020:

(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 – 5.5 billion <i>Note 13</i> <i>Note 15</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)

Notes:

1. The appraised equity value of the Markets was determined pursuant to the preliminary business valuation by the 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.
2. IA refers to intangible assets and goodwill which was calculated based on the intangible asset value as appraised by the 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.
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.
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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 the 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.
6. Adopting the basis in note 1, the appraised equity value as of 28 February 2018 adjusted to reflect the Revised Hada Target Group pursuant to the business valuation by the Independent Professional Valuer would be approximately RMB10.6 billion.
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.
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.
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 six markets held as investment properties as at 31 December 2017 of approximately RMB790 million.
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 December 2017 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 six markets held as investment properties as at 31 December 2017 of approximately RMB790 million.
11. Adopting the basis in note 1, the appraised equity value as at 29 February 2020 based on the audited accounts of the Revised Hada Target Group as at 31 December 2019 is expected to be approximately RMB11.6 billion, pursuant to the business valuation by the Independent Professional Valuer as set out in Appendix V to the Circular.
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 the 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.

The fair value of intangible asset of approximately RMB5.2 billion (RMB3.9 billion exclusive of tax) as at 31 December 2019 was appraised based on an income approach taking into account the future growth potential and asset-specific issues of the Framework Lease Agreement into consideration.

The valuation scope covered the fair value of the intangible asset of the Revised Hada Target Group taking into account the difference between the fair market terms and the contractual terms of the lease agreements under the Framework Lease Agreement. The valuation parameters considered includes a long-term growth rate of 2.5% and a discount

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

rate of 19.36%. The major assumptions in this valuation are similar as the assumptions adopted in the business valuation of the Revised Hada Target Group set out on pages V-9 to V-10 in Appendix V to the Circular.

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 Revised Hada Target Group's net accounts payables to New Amuse and its associates, as part of the conditions precedent to the Hada Acquisition, immediately prior to the Hada Completion.

The expected NAV of RMB436 million based on the financials of the Original Acquisition as set out in note 8 above was calculated on the basis that all accounts receivables from and payables to the Vendor and its associates and bank borrowings would be settled or capitalized prior to the Hada Completion, and therefore debt-free. Pursuant to the amended structure, at the Hada Completion, the Revised Hada Target Group will no longer be debt-free and taking into account impairment of certain receivables from related parties of approximately RMB805 million due to recoverability issue and that certain bank borrowings would subsist, as a result, it is expected that there would be a decrease in the expected NAV of the Revised Hada Target Group to an expected net liability value compared to the Original Acquisition.

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 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 as set out in Appendix VI to the Circular and the book value of the land and properties of the Revised Hada Target Group for the operations of the six markets held as investment properties as at 31 December 2019 of approximately RMB625 million.
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, which was calculated based on the Relevant Valuation of approximately RMB11.1 billion, subtracting therefrom the book value of the land and properties of the Revised Hada Target Group for the operations of the six markets held as investment properties as at 31 December 2019 of approximately RMB625 million.

The Relevant Valuation was based on the fair value of land and properties of the five markets of approximately RMB6.5 billion upon completion of the Hada Acquisition and the termination of the Framework Lease Agreement and the fair value of the property valuation of land and properties of the Shenyang Market (which will be operated by the Group rather than leasing out to third parties upon the Hada Completion) of approximately RMB4.7 billion upon completion of the Hada Acquisition and the termination of the Framework Lease Agreement, appraised by the Independent Professional Valuer. For further details of the Relevant Valuation, please see note 16 (in respect of valuation methodologies, parameters and assumptions) and note 17 (in respect of comparisons to other valuation approaches used for the Hada Acquisition). The Relevant Valuation was used for the preparation of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular (the "**Pro Forma Financial Information**"). Please see note d(2) set out in Appendix IV to the Circular.

The book value of RMB430.6 million and RMB194.7 million as at 31 December 2019 of the five markets and the Shenyang Market held as investment properties assuming operations under the Framework Lease Agreement respectively, as shown in note d(2) set out in Appendix IV to the Circular were also appraised by the Independent Professional Valuer.

(see note 16 below for the valuation methodologies, parameters and valuation assumptions)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

16. Valuation methodologies, parameters and valuation assumptions for the valuation of land and properties set out in note 15

(i) The Relevant Valuation of approximately RMB11.1 billion

Methodology

An income approach was adopted based on capitalization of the net operating profits of the real property interests, in which the historical performance and the potential market rents of the real property interests were considered.

Key parameters adopted

Discount rate:	11.75%–12.25%
Capitalization rate:	9.25%–9.75%
Long-term growth rate:	2.5%

The discounted cash flow method was used to generate the Relevant Valuation which is necessary for the preparation of the unaudited pro-forma financial information of the Enlarged Group under Appendix IV to the Circular in accordance with IFRS 3 requirements and the discounted cash flow method was adopted by the Independent Professional Valuer in compliance with the relevant valuation standards and as the appropriate valuation methodology for the valuation of such property interests for the preparation of the Pro Forma Financial Information.

The income approach and discounted cash flow method for the valuation of investment property interests comply with the relevant accounting policies for the preparation of the Group's historical financial statements and such approach has been consistently adopted by the Group in the past years.

(ii) Book value valuation of approximately RMB625.3 million

Methodology

In view of the real property interests held as investment properties held by the Revised Hada Target Group are subject to an existing tenancy, an income approach was adopted whereby based upon the net rental income of real property interests of which the Revised Hada Target Group is entitled to receive, and subsequently discounted at a market derived discount rate to arrive at the net present value of the real property interests.

Key parameters adopted

Discount rate:	11.50%
Capitalization rate:	9.50%
Long-term growth rate:	2.0%

Valuation Assumptions

The valuations have been made on the assumption that the real property interests are sold in the market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the real property interests. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the real property interests and no forced sale situation in any manner is assumed in the valuations.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

17. The land and properties valuation of RMB5.8 billion as required by Rule 5.02 of the Listing Rules (as set out in Appendix VI to the Circular) as at 29 February 2020, together with the fair value of intangible asset (reclassified to right-of-use asset) of RMB5.2 billion as at 31 December 2019 as appraised by the Independent Professional Valuer, is comparable in numerical value to the Relevant Valuation of approximately RMB11.1 billion as at 31 December 2019 upon completion of the Hada Acquisition. This represents the incremental value attributable to the land and properties to be acquired in Hada Acquisition. The Relevant Valuation is also comparable in numerical value to the business valuation of the Revised Hada Target Group as appraised by the Independent Professional Valuer using market approach as at 29 February 2020 of approximately RMB11.6 billion. There is therefore no material difference in the conclusion of the underlying fair value of the Revised Hada Target Group with reference to the different valuation approaches adopted and all these different approaches suggested the Revised Hada Consideration represents a discount to the fair value of the underlying assets albeit of different discount rates.

7.3 Various benchmarks for the evaluation of the Revised Hada Target Group

We note from the Board Letter that the Board has evaluated the Revised Hada Target Group based on (i) the adjusted business valuation of the Revised Hada Target Group; (ii) the RNAV; and (iii) the Alternative RNAV.

7.3.1 The adjusted 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 as set out in section 7.2 in this letter, the adjusted business valuation of the Revised Hada Target Group based on the financials and valuations used in the 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 as set out in section 7.2 in this letter, the updated adjusted business valuation of the Revised Hada Target Group as at 29 February 2020 is approximately RMB6.1 billion and the Revised Hada Consideration represents a 34% discount to such updated business valuation.

7.3.2 The 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 utilize the land and properties in its sole

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 as set out in section 7.2 in this letter, the RNAV based on the financials and valuations used in the 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 as set out in section 7.2 in this letter would be RMB4.8 billion, the Revised Hada Consideration represents a 17% discount to the updated RNAV of the Revised Hada Target Group.

7.3.3 The 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 as set out in section 7.2 in this letter, the Alternative RNAV of the Revised Hada Target Group based on the financials and valuations used in the 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 as set out in section 7.2 in this letter, 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), the Revised Hada Consideration represents a 13% discount to such updated Alternative RNAV.

7.3.4 Conclusion on the benchmarks adopted to evaluate the Revised Hada Target Group

In light of (i) the identical basis of determination of the Revised Hada Consideration as compared to the Hada Consideration and our analyses on the basis of determination of the Hada Consideration as disclosed in section headed “5.1 The Hada Acquisition” in our letter of advice set out in the 2018 Circular; (ii) the updated adjusted business valuation of approximately RMB6.1 billion; (iii) the updated RNAV of approximately RMB4.8 billion; and (iv) the updated Alternative RNAV of approximately RMB4.6 billion, we are of the view that the Revised Hada Consideration, representing discounts of approximately 34%, 17% and 13% to the updated adjusted business valuation, the updated RNAV and the updated Alternative RNAV respectively, is favorable. Therefore, we are of the view that the basis of determination of the Revised Hada Consideration is fair and reasonable, and the Revised Hada Consideration compares favorably to the above benchmarks, as such is in interest of the Group and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

7.4 Comparable analysis of the Hada Acquisition

In assessing the fairness and reasonableness of the Hada Acquisition, we have performed a comparable analysis of the Revised Hada Target Group. We have identified 5 comparable companies (the “**Industry Comparables**”) which are principally engaged in markets of food, agricultural and related products in the PRC and with market capitalization between HK\$1 billion and HK\$8 billion based on research on Bloomberg. The aforementioned selection criteria have allowed us to select the Industry Comparables which are similar to the principal business of the Revised Hada Target Group since such Industry Comparables are in general affected by similar macro-economic factors, including but not limited to, economy, outlook, consumer spending, etc., while companies that are similar in principal activities but deviate from the size of the Revised Hada Target Group, which would affect their comparability with the Revised Hada Target Group, are excluded.

We note that the trading multiples analysis, such as P/E and P/B, are commonly adopted valuation methods in the market. Given that the Revised Hada Target Group owns non-current assets such as property and equipment and investment properties, meaning that net assets would reflect the underlying value of the Revised Hada Target Group, we consider the P/B analysis to be appropriate for assessing companies engaged in operation of markets for wholesaling and retailing of agricultural produce. Also, as the Revised Hada Target Group is a profitable entity, we consider the adoption of P/E, which values the entities with reference to their respective profitability, is appropriate for inclusion as a side-factor in our assessment as to the fairness and reasonableness of the Hada Acquisition as the turn-around in the Revised Hada Target Group’s profitability in FY2019 is mainly due to the other net income which is one-off in nature as discussed in section 2.3 of this letter. Analyses on P/E and P/B of the Industry Comparables as at the Last Trading Day are set out below:

Company name (stock code)	Principal business	Market capitalization/ valuation ¹ (HK\$'million)	P/E (times)	P/B (times)
New Huadu Supercenter Co Ltd (002264 CH)	New Huadu Supercenter Co., Ltd. engages in chain operations in marketplaces, supermarkets, department stores.	3,656	n/a ²	3.5
Zhongbai Holdings Group Co Ltd (000759 CH)	Zhongbai Holdings Group Co., Ltd. owns and operates several department stores and supermarkets. Through its subsidiaries, the Company also operates in pharmaceuticals manufacturing, real estate development, and property management.	4,718	n/a ²	1.4

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Principal business	Market capitalization/ valuation¹ (HK\$'million)	P/E (times)	P/B (times)
Lianhua Supermarket Holdings Co Ltd (980 HK)	Lianhua Supermarket Holdings Company Limited operates hypermarkets, supermarkets, and convenience stores in China.	1,735	n/a ²	0.9
Renrenle Commercial Group Co Ltd (002336 CH)	Renrenle Commercial Group Co.,Ltd. operates shopping outlets, supermarkets and department stores. The Company operates its stores throughout China.	2,591	94.2	1.6
Beijing Hualian Hypermarket Co Ltd (600361 CH)	Beijing Hualian Hypermarket Co., Ltd. operates supermarkets and department stores. The Company sells groceries, knitting products, medical instruments, hardware, chemical materials, food, beverages, construction materials, arts and crafts, jewelry, furniture, computers, air-conditioning equipment, metal materials, and other merchandise.	2,915	25.9	0.9
	Minimum	1,735	25.9	0.9
	Maximum	4,718	94.2	3.5
	Average	3,123	60.1	1.7
Revised Hada Target Group	Operation of markets for wholesaling and retailing of agricultural produce	4,400¹	53.7³	0.8⁴

Source: Bloomberg

Notes:

1. For the Industry Comparables, the market capitalization is sourced from Bloomberg. For the Revised Hada Target Group, its implied valuation is based on the Revised Hada Consideration.
2. There is no P/E data for these Industry Comparables on Bloomberg, potentially as a result of the loss-making position of these Industry Comparables and therefore no profit figure available for calculation of the respective P/E.
3. In respect of the implied P/E of the Revised Hada Target Group, it was derived by dividing the Revised Hada Consideration of RMB4.0 billion by its profit after tax for FY2019 of approximately RMB74.4 million as extracted from Appendix III to the Circular.
4. In respect of the implied P/B of the Revised Hada Target Group, it was derived by dividing the Revised Hada Consideration of RMB4.0 billion by its RNAV of approximately RMB4.8 billion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It comes to our attention that the above Industry Comparables included in our comparable analysis is different from the comparable companies selected by the Independent Professional Valuer as stated in the Business Valuation Report. This could be the consequence of difference in purpose of carrying out the comparable analysis and difference in selection criteria adopted by us and the Independent Professional Valuer which has compiled the Business Valuation Report in accordance to the HKIS Valuation Standards (2017 Edition) and the International Valuation Standards not observed by us, nonetheless, some of the selection criteria are identical. However, we have reviewed the selection criteria of comparable companies adopted by the Independent Professional Valuer and noted that the Independent Professional Valuer further adopted the criteria of having positive EV and normalized earnings for the trailing 12 months as stated in the latest available financial statements, we are of the view that such difference in selection criteria as adopted by the Independent Professional Valuer to be reasonable and may better suit its valuation purpose. In contrast, we selected an exhaustive list of the Industry Comparables which have similar business to that of the Revised Hada Target Group regardless of the EV as considered by the Independent Professional Valuer and with market capitalization of between HK\$1 billion and HK\$8 billion so as to enhance comparability with reference to the implied valuation of the Revised Hada Target Group, i.e. the Revised Hada Consideration of approximately HK\$4,400,000,000 which in our opinion, better serves our purpose of comparable analysis of assessing the fairness and reasonableness of the Hada Acquisition.

Moreover, we work independently from the Independent Professional Valuer and with regards to the comparable analysis on the Industry Comparables, we did not take into account the work performed by the Independent Professional Valuer and the Industry Comparables were solely selected based on our own research conducted on Bloomberg with the adoption of the selection criteria of the Industry Comparables. Therefore, we consider our analysis on the Industry Comparables to be self-standing and the different sets of comparables used in our analysis above and the Business Valuation Report are both representative for their respective stated purposes.

As illustrated in the analyses above, (i) P/E of the Industry Comparables ranges from a low of approximately 25.9 times to a high of approximately 94.2 times, with the average thereof being approximately 60.1 times; and (ii) the P/B of the Industry Comparables range from a low of approximately 0.9 times to a high of approximately 3.5 times, with the average thereof being approximately 1.7 times. We note that (a) the implied P/E of the Revised Hada Target Group, as a side-factor (as (i) 3 out of the 5 Industry Comparables are in loss-making position; and (ii) the Revised Hada Target Group was loss-making in FY2017 and FY2018, and was loss-making in FY2019 if the one-off and non-recurring other net income is excluded), of approximately 53.7 times is within the range of P/E as represented by the Industry Comparables and is below the average thereof, being approximately 60.1 times; and (b) the implied P/B of the Revised Hada Target Group of approximately 0.8 times is below the range of P/B and the average thereof of approximately 1.7 times as represented by all of the Industry Comparables and is considered favorable to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that the Revised Hada Target Group is owner of the relevant land and properties in which the corresponding markets are situated, we consider it appropriate to further analyze on owners of similar commercial properties coming from an asset-based perspective. In this connection, we have further identified 3 comparable companies (the “**Property Owner Comparables**”) which are real estate companies that self-own a large portion of commercial properties (mainly shopping mall or supermarket related properties) in the PRC, large proportion of revenue was generated from property investments and with market capitalization between HK\$1 billion and HK\$8 billion based on our research on Bloomberg. Such selection criteria allowed us to select the Property Owner Comparables which are also closely related to the Revised Hada Target Group in terms of principal activities and size. Such Property Owner Comparables are in general affected by similar macro-economic factors such as economy, outlook, consumer spending, etc. as compared to the Revised Hada Target Group, while companies that are similar in principal activities but are of much higher market capitalization, therefore affecting their comparability with the Revised Hada Target Group, are excluded in our analysis.

Having considered the above, we are of the view that the selection basis for the Property Owner Comparables are fair and reasonable. Since there is insufficient information allowing us to generate a meaningful list of listed comparable companies that self-own a large portion of food related land or properties, we consider the analysis on the Property Owner Comparables is a suitable alternative as they represent the closest proxies based on the best information available to us. Unlike the analysis on Industry Comparables, we have only analyzed P/B of the Property Owner Comparables, leaving out the P/E analysis for the Property Owner Comparables mainly due to (i) the fundamental purpose of the analysis on the Property Owner Comparables is to have a further analysis on owners of similar commercial properties coming from an asset-based perspective so analysis on other benchmarks such as P/E would not be relevant for our purpose; and (ii) one of the Property Owner Comparables, namely Beijing Hualian Department Store Co. Ltd. (000882 CH) had no P/E data, potentially as a result of its loss-making position and therefore no profit figure available for calculation of its P/E, leaving only 2 Property Owner Comparables with eligible P/E analysis, therefore, we consider such minute sample size to be too small for a meaningful analysis.

The Property Owner Comparables represent an exhaustive list of all suitable comparable companies meeting the aforementioned criteria as identified by us based on

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

our best information, knowledge and belief. Analysis on P/B of the Property Owner Comparables as at the Last Trading Day is set out below:

Company name (stock code)	Principal business	Market capitalization/ valuation ¹ (HK\$'million)	P/B (times)
Beijing Hualian Department Store Co Ltd (000882 CH)	Beijing Hualian Department Store Co., Ltd operates leasing business. The Company offers shopping center rental services and other services. Beijing Hualian Department Store also operates shopping center management, property management, cinema operation, and other businesses.	5,812	0.7
China Sandi Holdings Ltd (910 HK)	China Sandi Holdings Limited engages in holding of properties for investment and rental purpose and property development.	2,849	0.6
BHG Retail REIT (BHGREIT SP)	BHG Retail REIT is a real estate investment trust (REIT) in Singapore. The REIT invests, directly and indirectly, in real estate which is used primarily for retail purposes, as well as real estate-related assets in relation to retail, with an initial focus on China.	1,607	0.7
	Minimum	1,607	0.6
	Maximum	5,812	0.7
	Average	3,423	0.7
Revised Hada Target Group	Operation of markets for wholesaling and retailing of agricultural produce	4,400¹	0.8²

Source: Bloomberg

Notes:

- For the Property Owner Comparables, the market capitalization is sourced from Bloomberg. For the Revised Hada Target Group, its implied valuation is based on the Revised Hada Consideration.
- In respect of the implied P/B of the Revised Hada Target Group, it was derived by dividing the Revised Hada Consideration of RMB4.0 billion by its RNAV of approximately RMB4.8 billion.

As illustrated in the analysis above, the P/B of the Property Owner Comparables ranges from a low of approximately 0.6 times to a high of approximately 0.7 times, with the average thereof being approximately 0.7 times. It is noted that the implied P/B of the Revised Hada Target Group of approximately 0.8 times falls outside the range but is in close proximity (with the minimum, average, maximum P/B of the Property Owner

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparables and the implied P/B of the Revised Hada Target Group all within a range of 0.2 times) and only slightly above the maximum P/B and the average figure of approximately 0.7 times as represented by P/B of the Property Owner Comparables.

7.5 Conclusion on the Hada Acquisition

Having considered the above principal factors, and in particular:

- (a) the reasons for and benefits of the Hada Acquisition as discussed in section 5 of this letter;
- (b) the agricultural sector in the PRC, barring any long-term adverse impact from the novel coronavirus outbreak since agricultural products are considered to be goods with relatively inelastic demand, is expected to achieve long-term prosperity as discussed in section 5.1 of this letter;
- (c) the Revised Hada Consideration represents a 34% discount to the updated adjusted business valuation of the Revised Hada Target Group as at 29 February 2020 less relevant IA in connection with the 2015 Transaction of approximately RMB6.1 billion as set out in Appendix V to the Circular;
- (d) the Revised Hada Consideration represents a 17% discount to the updated RNAV of the Revised Hada Target Group of approximately RMB4.8 billion;
- (e) the Revised Hada Consideration represents a 13% discount to the updated Alternative RNAV of the Revised Hada Target Group as adjusted with latest financials and valuations of approximately RMB4.6 billion (after considering the relevant IA of approximately RMB5.5 billion);
- (f) the implied P/B of the Revised Hada Target Group of approximately 0.8 times is slightly below the low-end of the range of P/B and significantly less than the average P/B of approximately 1.7 times as represented by the Industry Comparables; and
- (g) the implied P/B of the Revised Hada Target Group of approximately 0.8 times is in close proximity and only slightly above the range of P/B and the average P/B of approximately 0.7 times as represented by all of the Property Owner Comparables,

we are of the view that despite the somewhat unfavorable results on the analysis with the Property Owner Comparables in paragraph (g) immediately above, the terms of the Hada Acquisition are, on balance, fair and reasonable and in the interest of the Company and the Shareholders as a whole. In addition, since the terms of the Hada Acquisition are fair and reasonable based on our works as mentioned in this letter, we consider that the Hada Acquisition are on normal commercial terms so far as the Company and the Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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8. The Convertible Bond

8.1 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 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 the 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.

As extracted from the Board Letter, certain selected principal terms of the Convertible Bond which are adopted from the Original Convertible Bond and remain applicable are summarized below:

Issuer	: The Company
Issue price	: 100% of the principal amount of the Convertible Bond, payable in full at the Hada Completion
Maturity	: The Convertible Bond will mature on the 10th anniversary of the date of issue
Interest payment	: Holder(s) of the Convertible Bond are not entitled to receive any interest payment

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Please refer to the section headed “(II) Principal terms of the Convertible Bond” in the Board Letter for further information on terms of the Convertible Bond that are adopted from the Original Convertible Bond which remain applicable.

8.2 The 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;
- (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; and
- (f) a discount of approximately 7.39% over the closing price of the Shares of HK\$1.76 as quoted on the Stock Exchange on the Latest Practicable Date.

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 such amendments are independent of and do not concern the Conversion Price, it is accordingly not necessary to adjust the Conversion Price, and (ii) the benefits and synergies expected from the Original Acquisition continue to hold true upon the Hada Completion including but not limited to (a) the saving of rental expenses due to the bringing in of ownership of land and properties on which the six markets situate; (b) the ability to invest and expand such markets without any restrictions and limitations faced as a tenant; (c) the possibility for expansion and future capital expenditure investment in the six markets; and (d) land and properties providing an additional channel for future debt-financing by the Enlarged Group as assets rather than merely operations rights could be used as security, 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.

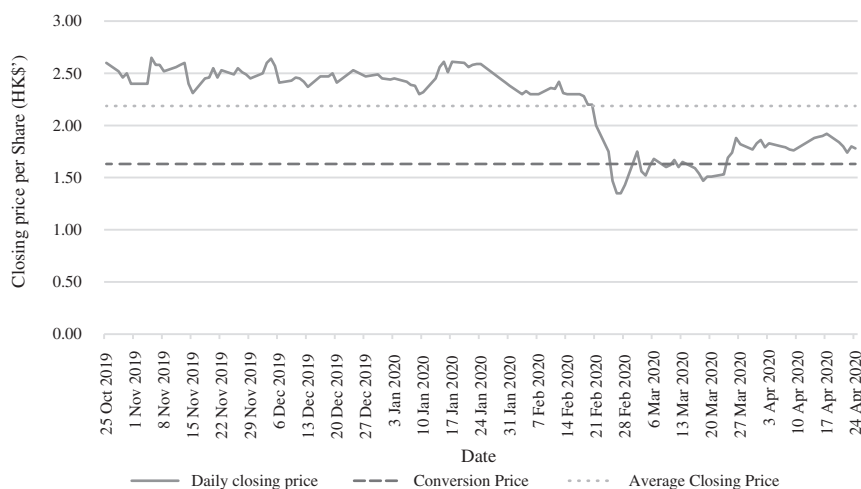
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the basis set out above 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. Having considered the above and our analysis on the Conversion Price set out in section 8.2 of this letter, we concur with the Company's aforementioned assessment.

8.2.1 Historical price performance of the Shares

We have reviewed the closing price of the Shares on the Stock Exchange for the six months period ended on the Last Trading Day (the “**Review Period**”). We consider the length of the Review Period is appropriate because a shorter period (e.g. 2 months) may not sufficiently illustrate a meaningful historical trend for proper assessment while a longer period (e.g. 1 year) may have been too distant in time making such historical trend less relevant with reference to the dynamic financial markets. Therefore, we consider that the Review Period is reasonable so as to show the general trend and recent market valuation based on the closing price of the Shares on the Stock Exchange.

Historical daily closing price per Share during the Review Period



Source: website of the Stock Exchange

During the Review Period, the highest closing price of the Shares of HK\$2.65 per Share was recorded on 5 November 2019 and the lowest closing price of the Shares of HK\$1.35 per Share was recorded on each of 26 and 27 February 2020 respectively (the “**Price Range**”), with an average closing price per Share of approximately HK\$2.19 (the “**Average Closing Price**”). As illustrated in the chart above, the closing prices of the Shares remained relatively stable and above both of the Conversion Price and the Average Closing Price during the period from the commencement of the Review Period up to February 2020, where there was a notable decrease in closing price per Share. The closing price of the Shares

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

decreased to the lowest closing price during the Review Period of HK\$1.35 per Share on 26 and 27 February 2020. As confirmed by the Directors and save for the drop being coincidental to the then ongoing outbreak of the novel coronavirus, they are not aware of any specific event that may have caused the significant decrease in Share price. Afterwards, the closing price of Share maintained below the Average Closing Price and roughly above the Conversion Price up to the Last Trading Day.

Despite the aforementioned drop in the closing price of the Shares in February 2020, we note that subsequent to the Relevant Trading Day (as defined in the 2018 Circular) of 4 June 2018, i.e. the day immediately prior to the date of the Hada Acquisition Agreement (under which the Conversion Price was first determined by the parties), the closing price of the Shares surged from HK\$1.68 per Share (as adjusted for the Share Consolidation) on the Relevant Trading Day (as defined in the 2018 Circular) to a high of HK\$3.95 per Share (as adjusted for the Share Consolidation) on 4 March 2019. Given that the Conversion price was initially determined as of the date of the Hada Acquisition Agreement, any subsequent increase in the prices of the Shares, including that as at the Last Trading Day or the Latest Practicable Date, can be considered as the “upside” of the Vendor which may also explain the discount of the Conversion Price to the relevant closing prices on the aforementioned dates.

8.2.2 Average daily trading volume for each month during the Review Period

The table below sets out the average daily trading volume of the Shares for each month during the Review Period:

Month	No. of trading days	Average daily trading volume of the Shares (<i>approximate</i>)	Average daily trading volume of the Shares to the total number of issued Shares held by the public ¹ (<i>approximate</i>) (%)	Average daily trading volume of the Shares to the total number of issued Shares ² (<i>approximate</i>) (%)
2019				
October (starting from commencement of the Review Period)	5	190,680	0.01	0.00
November	21	408,864	0.01	0.01
December	20	494,529	0.02	0.01
2020				
January	20	534,906	0.02	0.01
February	20	4,827,647	0.17	0.08
March	22	1,228,014	0.04	0.02
April (up to the Last Trading Day)	16	226,915	0.01	0.00

Source: website of the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Based on 2,768,022,207 Shares held by other public Shareholders as at the Latest Practicable Date.
2. Based on 5,715,593,056 Shares in issue as at the Latest Practicable Date.

We noted that trading in Shares had been extremely thin during the Review Period, where the average daily trading volume of the Shares to the total number of issued Shares held by the public and to the total number of issued Shares in February 2020, being the month with highest trading volume during the Review Period, were approximately 0.17% and 0.08% respectively, whereas that in the remaining months during the Review Period were lower than 0.05%. Therefore, trading of the Shares did not appear to be particularly active during the Review Period. Having considered the relatively low liquidity of the Shares during the Review Period, for illustrative purpose only, assuming full exercise of conversion rights of the Convertible Bonds, the Vendor will hold 2,702,629,658 Conversion Shares, representing approximately 32.1% of the issued share capital of the Company following such conversion. The relatively low liquidity of the Shares creates potential difficulty for the Vendor to dispose of, if it so wishes, the Conversion Shares in public without exerting downward pressure on the selling price, and thus provides justification on the Conversion Price being set at a slight discount to the relevant benchmark prices as mentioned earlier in this letter.

The Board Letter further stated that 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 factors mentioned immediately above and in the spirit of other terms of the Original Acquisition remaining the same where applicable, the Company considers, and we concur, that the Conversion Price, despite being at a discount to the Average Closing Price 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.

8.3 Comparable analysis on the terms of the Convertible Bond

In order to assess the fairness and reasonableness of the terms of the Convertible Bond, we have identified 14 comparable issues which are Hong Kong listed companies that have announced an issue/placing/subscription of convertible bonds or convertible

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

notes under specific mandate during the Review Period (the “Comparable Issues”). Similar to analysis on the historical price performance and trading volume of the Shares, we have used a six months period for the selection of Comparable Issues because (i) it has generated a reasonable number of samples for our analysis and having a shorter period would result in an inadequate number of samples while sample size would overwhelm if a longer period is adopted, resulting in an even wider range of discount or premium, and hence making our analysis less meaningful; and (ii) it would capture the recent market trends while having a longer period may have been too distant in time, and making the samples less relevant in relation to the dynamic financial markets. For the purpose of our analysis, we have excluded (a) issuance of A share convertible bonds; (b) issue of convertible bonds or convertible notes under general mandate; and (c) Huajun International Group Limited (377 HK) which published an announcement dated 22 January 2020 in relation to the issue of convertible bond under specific mandate with a conversion price that represented a premium of approximately 208.94% over the closing price of its share on the last trading day, such significant premium deviates from the range and average as represented by the Comparable Issues therefore making it an outlier. Save for the aforementioned exclusions, the Comparable Issues represent an exhaustive list of all suitable comparable companies meeting the aforementioned criteria as identified by us based on our best information, knowledge and belief.

Although there are differences in financial conditions and market capitalization between the Company and the companies of the Comparable Issues, the Comparable Issues represent the most similar transactions conducted by other Hong Kong listed companies recently, we are of the view that the Comparable Issues are fair and representative sample and can serve as a meaningful reference for comparison with the terms of the Convertible Bond.

Announcement date	Company name (stock code)	Principal amount of the convertible bonds/note <i>HK\$'million</i>	Approximate year(s) to maturity	Interest rate per annum %	Premium/(discount) of conversion price over/to the closing share price of the last trading day prior to/on the date of the respective announcement/agreement %	Premium/(discount) of conversion price over/to the average closing share price of the shares for the last five consecutive trading days prior to/on the date of the respective announcement/agreement %
18-Apr-2020	Century Sunshine Group Holdings Limited (509 HK)	300.0	2	8.0	18.67	18.82
7-Apr-2020	South China Financial Holdings Limited (619 HK)	50.0	3	Nil	—	0.92
6-Apr-2020	Hong Kong Finance Investment Holding Group Limited (7 HK)	1,199.0	3	Nil	31.60	30.20
1-Apr-2020	Sunshine Oilsands Ltd. (2012 HK)	72.0	2	8.0	26.40	—
27-Mar-2020	Asia Energy Logistics Group Limited (351 HK)	48.0	3	Nil	(3.03)	(6.98)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Announcement date	Company name (stock code)	Principal amount of the convertible bonds/note <i>HK\$'million</i>	Approximate year(s) to maturity	Interest rate per annum %	Premium/(discount) of conversion price over/to the closing share price of the last trading day prior to/on the date of the respective announcement/ agreement %	Premium/(discount) of conversion price over/to the average closing share price of the shares for the last five consecutive trading days prior to/on the date of the respective announcement/ agreement %
2-Mar-2020	China Regenerative Medicine International Limited (8158 HK)	120.0	3	Nil	(5.66)	(16.81)
25-Feb-2020	Wai Chun Group Holdings Limited (1013 HK)	172.0	n/a ¹	5.0	2.44	5.00
23-Jan-2020	Wai Chun Bio-Technology Limited (660 HK)	44.1	3	4.0	(7.43)	(9.50)
19-Jan-2020	TL Natural Gas Holdings Limited (8536 HK)	29.1	3	Nil	6.12	6.85
13-Jan-2020	Best Food Holding Company Limited (1488 HK)	780.0	7	Nil	7.27	9.87
10-Jan-2020	Merdeka Financial Group Limited (8163 HK)	39.8	3	Nil	(8.33)	—
29-Nov-2019	Shougang Concord International Enterprises Company Limited (697 HK)	1,231.7	2	Nil	(13.04)	(15.25)
21-Nov-2019	Anchorstone Holdings Limited (1592 HK)	103.5	2 ²	Nil	9.09	8.70
10-Nov-2019	BC Technology Group Limited (863 HK)	15.6	1	5.0	17.10	43.33
			Average	6.0	5.80	5.37
			Maximum	8.0	31.60	43.33
			Minimum	4.0	(13.04)	(16.81)
24-Apr-2020	The Company (based on Last Trading Day)	4,405.3	10	Nil	(8.43)	(8.32)
24-Apr-2020	The Company (based on Relevant Trading Day (as defined in the 2018 Circular))	n/a	n/a	n/a	(2.98)	(0.79)

Notes:

- Not applicable as Wai Chun Group Holdings Limited (1013 HK) issued perpetual convertible bond.
- Maturity can be extended, at the sole and absolute discretion of the holder of the convertible bonds, to the date falling on the third (3rd) anniversary of the relevant date of issue of the convertible bonds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the analysis above, the variance of the conversion price to the closing price of the shares on last trading day prior to or on the date of the respective announcement or agreement of the Comparable Issues ranges from a discount of approximately 13.04% to a premium of approximately 31.60%, with the average being a premium of approximately 5.80%.

Although the Conversion Price represents discount of approximately 8.43% to the closing price of the Shares on the Last Trading Day and the average variance of the conversion price to the closing price of the shares on last trading day prior to or on the date of the respective announcement or agreement of the Comparable Issues amounts to a premium of approximately 5.80%, the discount represented by the Conversion Price is still within the aforementioned range of the of the Comparable Issues. If we take into account the discount of the Conversion Price to the closing price of the Shares on the Relevant Trading Day (as defined in the 2018 Circular) of approximately 2.98%, such variance would still fall within the range of variance as represented by the Comparable Issues as mentioned above. Having considered (i) the low liquidity of the Shares which poses difficulty for the Vendor to dispose of the Conversion Shares, if it so wishes, without exerting downward pressure on the selling price, as discussed in section 8.2.2 of this letter above; (ii) it is stated in the section headed “(II) Principal Terms of the Convertible Bond — Conversion Price” in the Board Letter that “*the parties consider it appropriate for the other terms of the Original Acquisition to remain the same where applicable.*” since the current Hada Acquisition (as amended by the Deed of Amendment) is a continuation of the Original Acquisition, the terms of which were determined pursuant to the Hada Acquisition Agreement dated 5 June 2018 and the Conversion Price represents a slight discount of approximately 2.98% to the closing price of the Shares on the Relevant Trading Day (as defined in the 2018 Circular); (iii) the deterioration from the discount of the Conversion Price to the closing price of the Shares on the Relevant Trading Day (as defined in the 2018 Circular) of approximately 2.98% to the discount of the Conversion Price to the closing price of the Shares on the Last Trading Day of 8.43% is not overly excessive as this 8.43% discount is still within the range of the Comparable Issues while the nil interest rate of the Convertible Bond suggests some other form of return (i.e. the aforementioned discount) to the holder of the Convertible Bond is appropriate; (iv) the compound annual rate of return (in the form of annualized discount of the Conversion Price to closing price on the Last Trading Day) entitled by the Vendor of approximately 0.813% being far lower than average interest rate of the Comparable Issues of 6.0% per annum entitled by the subscribers as discussed in the paragraphs immediately below; and (v) the nil interest rate of the Convertible Bond resulting in hypothetical interest savings of approximately HK\$264.3 million per year to the Company as discussed in the paragraphs immediately below, we consider that on balance, the discount of the Conversion Price, although closer to the minimum end, is still within the range of variance as represented by the Comparable Issues, and acceptable.

For illustrative purpose and on the basis of the nil interest rate of the Convertible Bond, assuming the Vendor exercises the conversion right under the Convertible Bond on its maturity date, being the date falling 10 years after issuance of the Convertible Bond, the annual rate of return in the form of an annualized discount of the Conversion Price to closing price on the Last Trading Day entitled by the Vendor amounts to approximately

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

0.813%. In the absence of interest rate of the Convertible Bond, the aforementioned compound annual rate of return of approximately 0.813% is far lower than average interest rate of the Comparable Issues of 6.0% per annum entitled by the bondholder.

With regards to the interest rates per annum of the Comparable Issues, they range from a low of nil to a high of 8.0% per annum, with an average figure of approximately 6.0% per annum. The nil interest rate of the Convertible Bond is therefore at the low end of the interest rate range of the Comparable Issues and is below the average thereof. We are of the view that the nil interest rate would save interest expenses to be borne by the Company and if we were to calculate a hypothetical interest expense based on the average interest rate of the Comparable Issues of 6.0% per annum and the aggregate principal amount of the Convertible Bond of HK\$4,405,286,344, such hypothetical interest expense would be approximately HK\$264.3 million per year during the 10 year term of the Convertible Bond. Accordingly, the Convertible Bond compares favorably with the Comparable Issues and the nil interest rate of the Convertible Bond is fair, reasonable and in the interest of the Company and the Shareholders as a whole.

Based on the above Comparable Issues, we noted that, excluding the perpetual convertible bond proposed to be issued by Wai Chun Group Holdings Limited (1013 HK), the maximum maturity of the Comparable Issues was 7 years and the maturity of the Convertible Bond, being 10 years, is comparatively long. Although the term to maturity of the Comparable Issues is relatively shorter than that of the Convertible Bond, we consider that this would allow the Company more time and flexibility in its repayment of the Convertible Bond in the event that the bondholder does not fully exercise the conversion rights attached to the Convertible Bond and given the nil interest rate of the Convertible Bond, the maturity of 10 years is fair and reasonable.

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

The Independent Shareholders' attention is drawn to the paragraph headed "Shareholding structure of the Company and effect of the issue of Conversion Shares". As at the Latest Practicable Date, the Company has 5,715,593,056 Shares in issue.

The Company shall issue the Convertible Bond to settle the Revised Hada Consideration. Assuming the conversion rights attached to the Convertible Bond is fully exercised, the Company will issue 2,702,629,658 Conversion Shares to New Amuse based on the aggregate principal amount of HK\$4,405,286,344 and the initial Conversion Price of HK\$1.63 per Conversion Share, representing (i) approximately 47.3% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 32.1% of the issued share capital of the Company immediately after the Hada Completion and full conversion of the Conversion Bond. Immediately after the Hada Completion and full conversion of the Conversion Bond, the shareholding interest of the other public Shareholders shall decrease from approximately 48.4% to approximately 32.9%.

With reference to section headed "6.5 Potential dilution on the shareholding interests of the independent shareholders arising out of the issue of the conversion shares" in our letter of advice set out in the 2018 Circular, the shareholding interest of the public

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

shareholders shall decrease from approximately 48.53% to approximately 28.58% upon completion of the then rights issue and full conversion of the Original Convertible Bonds (assuming all the then rights shares were taken up by the then public Shareholders who were also qualified to participate in the then rights issue). The dilution effect on the shareholding interests of the Independent Shareholders under the Hada Acquisition and the issuance of the Convertible Bond appears to be less significant as compared to the Original Acquisition in conjunction with the issuance of the Original Convertible Bond, mainly due to the decrease of the principal amount.

Having considered (i) the reasons for and benefits of the Hada Acquisition as discussed in section 5 of this letter; (ii) the terms of the Hada Acquisition are fair and reasonable as discussed in section 7 of this letter; (iii) the terms of the Convertible Bond are fair and reasonable as discussed in section 8.3 of this letter; and (iv) shareholding interest of the Independent Shareholders is less diluted as compared to the issuance of the Original Convertible Bond, we maintain the view that the aforementioned potential dilution effect to the shareholding of the Independent Shareholders is acceptable.

9. The Disposal

As stated in the section headed “H. Reasons for and benefits of entering into the Deed of Amendment and the Shouguang Framework Lease Agreement” in the Board Letter, upon the Hada Completion, the land and properties of the Revised Hada Target Group will be integrated into the Enlarged Group to support the operations of the six agriculture markets and the Framework Lease Agreement will be terminated. As referred to under sub-sections “I. Discontinued Connected Transactions” and “J. Implications Under the Listing Rules” of the Board Letter, the leases under the Framework Lease Agreement has been accounted for as a right-of-use asset of the Group, and the termination of such leases at the Hada Completion will technically constitute a major disposal of the Group. Such technical “disposal” arises from and form part and parcel of the Hada Acquisition and accordingly, taking into account factors including (a) to (e) set out in the section headed “H. Reasons for and benefits of entering into the Deed of Amendment and the Shouguang Framework Lease Agreement” in the Board Letter, the Directors (excluding the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” of the Circular and the Director who had abstained from voting on the relevant board resolution(s)) consider the termination of the Framework Lease Agreement to also be 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 section headed “I. Discontinued Connected Transactions” in the Board Letter carries on to state that 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

Having considered (i) the Framework Lease Agreement by its nature shall not exist following the Hada Completion and consolidation of the investment properties, property and equipment of the Revised Hada Target Group into the Enlarged Group; (ii) the early termination of the Framework Lease Agreement is, although “technically” constitute the Disposal of the right-of-use asset, “in substance” part and parcel of the Hada Acquisition; (iii) the reduction of rental expense and improvement of long-term profitability of the Enlarged Group following the Hada Completion as discussed in section 10.2 of this letter; and (iv) the reasons for and benefits of the Hada Acquisition as discussed in section 5 of this letter, we concur with the Directors that the Disposal is fair and reasonable.

10. Financial effects of the Hada Acquisition

Upon completion of the Hada Acquisition, members of the Revised Hada Target Group will become wholly-owned subsidiaries of the Company and the financial results of the Revised Hada Target Group will be consolidated into the accounts of the Enlarged Group.

Analyses below on the financial effects of the Hada Acquisition were made reference to the Pro Forma Financial Information set out in Appendix IV to the Circular which has been prepared to illustrate the effect of the Hada Acquisition, assuming Hada Completion had taken place as at 31 December 2019. It should be noted that the analyses below are for illustrative purpose only and do not purport to represent how the financial position of the Enlarged Group will be upon the Hada Completion.

10.1 Effect on net assets and total assets

The Group had net assets of approximately RMB8,824,278,000 as at 31 December 2019. Assuming the Hada Acquisition had taken place as at 31 December 2019, the unaudited pro forma net assets would increase to approximately RMB11,932,725,000, representing a considerable increase of approximately RMB3,108,447,000, or approximately 35.2%. Despite that the Revised Hada Target Group had a net liability position as at 31 December 2019, such increase in net assets upon the Hada Completion is mainly contributed by (i) the capitalization of net payables of the Revised Hada Target Group due to New Amuse and its associates of approximately RMB2,109,404,000 immediately prior to the Hada Completion as part of the conditions precedent to the Hada Acquisition; (ii) the valuation gain (net of deferred tax liabilities) of approximately RMB529,622,000 resulted from the difference between fair value of the lease agreements and the carrying amount of the rights-of-use assets as a result of the termination of lease agreements concerning the lease of wholesale markets to the Group by the Revised Hada Target Group as contemplated in the 2015 Transaction immediately upon the Hada Completion; and (iii) the increase in reserves of approximately RMB2,578,825,000 arising from acquisition accounting in accordance with IFRS 3.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group had total assets of approximately RMB13,505,339,000 as at 31 December 2019. Assuming the Hada Acquisition had taken place as at 31 December 2019, the unaudited pro forma total assets would increase to approximately RMB21,035,089,000, representing a significant increase of approximately RMB7,529,750,000, or approximately 55.8%.

10.2 Effect on earnings

The Group recorded a profit attributable to equity shareholders of the Company of approximately RMB557,285,000 for FY2019. As per the accountants' report of the Revised Hada Target Group as set out in Appendix III to the Circular, the profit of the Revised Hada Target Group amounted to approximately RMB74,421,000 for FY2019.

Upon the Hada Completion, the Revised Hada Target Group will become wholly-owned subsidiaries of the Enlarged Group and the financial results of the Revised Hada Target Group will be consolidated into the consolidated financial statements of the Enlarged Group. Given the profit-making position of the Revised Hada Target Group in FY2019, it is expected that the Revised Hada Target Group may contribute to earnings base of the Enlarged Group following the Hada Completion.

In addition, the Framework Lease Agreement will be terminated upon the Hada Completion, which is expected to reduce the rental expense of the Enlarged Group following the Hada Completion and enhance the profitability of the Enlarged Group.

However, Shareholders should be aware that (a) the Revised Hada Target Group has been loss-making in FY2017 and FY2018 due to the favorable rental arrangement to the Group under the Framework Lease Agreement as explained in section 2.3 of this letter, and it turned around to profit-making position of approximately RMB74,421,000 due to the recognition of other net income arising from the waiver of VAT provision and related tax penalties in the amount of approximately RMB128,099,000, which is one-off in nature; and (b) the actual financial effects of the Hada Acquisition on the Enlarged Group following the Hada Completion is highly dependent on the how much of the benefits and synergies as envisaged in the section headed "H. Reasons for and benefits of entering into the Deed of Amendment and the Shouguang Framework Lease Agreement" in the Board Letter can materialize post-Hada Completion.

10.3 Effect on liquidity

The Group had total current assets and total current liabilities of approximately RMB1,667,186,000 and RMB1,274,096,000, respectively, as at 31 December 2019, translating into a current ratio, which is derived by dividing current assets to current liabilities, of approximately 1.3 times. Assuming the Hada Completion had taken place as at 31 December 2019, the Enlarged Group would have unaudited pro forma current assets and current liabilities of approximately RMB3,223,470,000 and RMB3,962,812,000, resulting in a current ratio of approximately 0.8 times which represents a net current liabilities position of approximately RMB739,342,000 and a reduction in current ratio of approximately 38.5%. The increase in the Enlarged Group's current assets upon Hada Completion is mainly attributable to the increase in cash at bank and on hand of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Revised Hada Target Group of approximately RMB1,404,829,000; and the increase in the Enlarged Group's current liabilities upon Hada Completion is mainly attributable to the increase in short-term loans and borrowings of the Revised Hada Target Group of approximately RMB2,417,000,000. Given that the current ratio of the Enlarged Group would decrease to less than 1.0 time, the Enlarged Group may have difficulties in meeting its short-term obligations. However, according to the Pro Forma Financial Information, assuming the Hada Acquisition had taken place as at 31 December 2019, the cash at bank and on hand of the Group will be considerably increased from approximately RMB671,619,000 to approximately RMB2,076,448,000, we consider that the Enlarged Group is in a strong cash position and the current ratio of the Enlarged Group is still acceptable. We also note from the section headed "C. Working capital" in Appendix I to the Circular that the Directors, after due and careful enquiries, are of the opinion that, in the absence of unforeseen circumstances and after taking into account the expected completion of the Hada Acquisition, the cash flow generated from the operating activities, the financial resources available to the Enlarged Group including internally generated funds and the available credit facilities, the Enlarged Group will have sufficient working capital for at least the next twelve months from the date of the Circular.

10.4 Effect on gearing

The Group had total equity of approximately RMB8,824,278,000 and total debts of approximately RMB473,180,000 as at 31 December 2019, which comprise of (i) loans and borrowings (current portion) of approximately RMB173,500,000; and (ii) loan and borrowings (non-current portion) of approximately RMB299,680,000. As a result, the gearing ratio, which is derived by dividing total debts by total equity times 100%, would be approximately 5.4%.

Assuming the Hada Completion had taken place as at 31 December 2019, the unaudited pro forma total equity would increase to approximately RMB11,932,725,000 and total debts would rise to approximately RMB4,391,355,000, which comprise of (i) loans and borrowings (current portion) of approximately RMB2,590,500,000; (ii) loans and borrowings (non-current portion) of approximately RMB379,680,000; and (iii) liability portion of the Convertible Bond of approximately RMB1,421,175,000. Translating to a gearing ratio of approximately 36.8%, and such increase in gearing ratio upon the Hada Completion is mainly attributable to, among other things, the issuance of Convertible Bond and the short-term bank borrowings of the Revised Hada Target Group. Despite the fact that the Enlarged Group would have net current liabilities of approximately RMB739,342,000 with reference to section 10.3 of this letter where the Enlarged Group would have a current ratio close to 1.0 time, in view of the strong cash position of the Enlarged Group of approximately RMB2,076,448,000 as at 31 December 2019, the Management has advised that the Enlarged Group is expected to be able to fulfill its obligations arising out of its short-term liabilities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

10.5 Conclusion on the financial effects of the Hada Acquisition

It is noted that (i) following the capitalization of certain net accounts payables to New Amuse and its associates, the net liability value of the Revised Hada Target Group will be reduced to no more than RMB400 million immediately prior to the Hada Completion; and (ii) based on the Pro Forma Financial Information, the Enlarged Group is expected to turn into a net current liabilities position. However, following the Hada Completion, the unaudited pro forma net assets and the total assets of the Enlarged Group are expected to increase by approximately 35.2% and 55.8%, respectively. The Hada Acquisition will strengthen the overall financial position and asset base of the Enlarged Group while reducing the rental expense (under the existing Framework Lease Agreement) of the Enlarged Group following the Hada Completion, which is expected to benefit the Enlarged Group in the long run.

CONCLUSION

Having considered the above principal factors, we are of the opinion that (i) the Hada Acquisition is in the ordinary and usual course of business of the Group and on normal commercial terms; and (ii) the terms of the Deed of Amendment (including but not limited to the Revised Hada Consideration, the Convertible Bond, its interest rate and the Conversion Price) and the Disposal are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Therefore, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the ordinary resolution(s) to approve the Hada Acquisition (including the Deed of Amendment, the issue of the Convertible Bond and the Conversion Shares), the Disposal and the Specific Mandate and the transactions contemplated thereunder at the EGM.

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

Director — Investment Banking Department

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

A. SUMMARY OF FINANCIAL RESULTS

Financial information of the Group for each of the years ended 31 December 2017, 2018 and 2019 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.diligrp.com>):

- annual report of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 50–124) (<http://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804271232.pdf>);
- annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 47–132) (<http://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn20190429169.pdf>); and
- annual report of the Company for the year ended 31 December 2019 published on 22 April 2020 (pages 47–144) (<http://www1.hkexnews.hk/listedco/listconews/sehk/2020/0422/2020042200353.pdf>).

B. INDEBTEDNESS STATEMENT

As at the close of business on 31 March 2020, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining the information contained in this indebtedness statement, the Enlarged Group had a total bank loans, other borrowings, amount due to related parties and lease liabilities of RMB6,988.5 million. The details were set out as follows:

	<i>RMB'000</i>
Secured bank loans	1,565,680
Guaranteed bank loans	1,147,000
Secured and guaranteed bank loans	267,000
Unsecured other borrowings	100,000
Amount due to related parties	2,387,656
Lease liabilities	<u>1,521,117</u>
Total	<u><u>6,988,453</u></u>

For the years ended 31 December 2017, 2018 and 2019, certain of investment properties amounted to nil, nil and RMB228,290,000 were pledged as securities to related parties in respect of bank loans amounted to nil, nil and RMB1,200,000,000, respectively.

Save as aforesaid, and apart from intra-group liabilities and normal accounts payable in the ordinary course of the business, as at the close of business on 31 March 2020, the Enlarged Group did not have any outstanding mortgages, charges, debentures, debt securities or other loan capital, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

C. WORKING CAPITAL

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

D. TRADING PROSPECTS OF THE ENLARGED GROUP

The Enlarged Group is expected to benefit from the advantages in integrating the land and properties with the agriculture market operations of the Revised Hada Target Group. With the land and properties acquired in the Hada Acquisition as security, the Enlarged Group will have enhanced ability to conduct future debt-financing activities. The Hada Acquisition will also enable potential expansion in space of the six agriculture wholesale markets acquired and future capital expenditure investment to such markets, through which the Enlarged Group may potentially generate more commission income and rental income from the lease of space in the markets and higher commission income from the enhanced operations.

A state policy on agriculture industry which emphasized on “rural revitalization strategy” had been proposed by the PRC Government in 2018 which aimed to modernize the rural economy and improve the competitiveness of the agriculture industry in the PRC. With the support from the PRC Government, the Board believes that the agriculture industry overall and any ancillary industries will continue to attract investments in the near and medium term and agriculture wholesale markets will continue to play an important role in the value chain of the agriculture industry in China. Given the Group’s long history and experience in the operation of agriculture wholesale markets since the 2015 Transaction, the Board believes that the agricultural industry present good opportunities for the Enlarged Group in terms of growth and raising of external financings.

Upon completion of the Hada Acquisition, Yield Smart (a wholly-owned subsidiary of the Company) will become the sole shareholder of the Hada Target Company and taking up the control of the Revised Hada Target Group which in turn holds the land and properties on which the six agriculture wholesale markets situate. The following discussions and analyses relate to the results of operations and financial condition of the Revised Hada Target Group as at and for the years ended 31 December 2017, 2018 and 2019. You should read the following discussions and analyses in conjunction with the combined financial information of the Revised Hada Target Group and the accompanying notes set out in the Accountants' Report on the Revised Hada Target Group set out in Appendix III to this circular.

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

Business Review

The Revised Hada Target Group is principally engaged in the business operations of the agriculture wholesale markets for the wholesaling and distribution of primarily vegetables and also fruits, seafood, meat, grain and oil and other food produce. The Revised Hada Target Group comprises among others, eight PRC Landlord Entities which together hold the land and properties for the operation of the six markets located in five cities namely Shenyang, Harbin, Guiyang, Qiqihar and Mudanjiang in the PRC.

Results of Operations

Revenue

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

	Years ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Operating lease	77,050	78,430	83,497
Sales of goods	2,924	—	—
Total	<u>79,974</u>	<u>78,430</u>	<u>83,497</u>

Revenue decreased slightly by 1.9% from RMB80.0 million in 2017 to RMB78.4 million in 2018, and increased by 6.5% to RMB83.5 million in 2019.

The decrease in revenue from 2017 to 2018 was mainly attributable to the cease of revenue generated from sales of goods. The increase in revenue from 2018 to 2019 was mainly attributable to the increase in the income from operating lease due to the increase in the annual

rent from the PRC Operating Companies in 2019. Pursuant to the Framework Lease Agreement dated 9 June 2015, it was agreed between the Vendor and Yield Smart that the subsequent annual rent shall be increased at a rate of 5% every three calendar years thereafter, until the expiry of the lease agreements on 31 December 2035.

Gross profit and gross profit margin

Gross profit for the years ended 31 December 2017, 2018 and 2019 was RMB77.3 million, RMB78.4 million and RMB83.5 million, respectively. Gross profit margin for the years ended 31 December 2017, 2018 and 2019 was 96.6%, 100.0% and 100.0% respectively. The Revised Hada Target Group maintained a consistently high gross profit margin in 2017, 2018 and 2019 as it leased its land and properties to the PRC Operating Companies, therefore it has very low cost of sales.

Other net losses/income

Other net losses or income of the Revised Hada Target Group primarily represents (i) loss on disposal of property and equipment and investment properties; (ii) impairment losses on other receivables; (iii) accrual or waive of VAT provision and related tax penalties; (iv) government grants; and (v) others. Other net losses for the year ended 31 December 2017 was RMB23.7 million and other net income for the years ended 31 December 2018 and 2019 was RMB5.6 million and RMB95.4 million respectively. The other net losses recorded in 2017 were primarily attributable to the accrual of VAT provision and related tax penalties as well as the loss on disposal of property and equipment and investment properties. The increase in other net income from 2018 to 2019 was primarily attributable to the waive of VAT provision and related tax penalties including VAT and relating tax charges accrued for the interest income from related parties during previous years due to the implementation of tax policy issued by the State Administration of Taxation Bureau in February 2019.

Valuation losses on investment properties

Valuation losses on investment properties for the Revised Hada Target Group for the years ended 31 December 2017, 2018 and 2019 was RMB16.3 million, RMB14.6 million and RMB29.3 million, respectively.

The useful life of the land and buildings was reduced by one year every year which led to the valuation losses for the years ended 31 December 2017, 2018 and 2019.

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

The valuation losses have been accounted for in the balance of investment properties of the Revised Hada Target Group, which forms the basis of the expected NAV, which in turn is used to calculate the RNAV and Alternative RNAV under the section headed “Letter from the Board — C. The Transactions — (I) The Deed of Amendment — (2) Revised Hada consideration” of this circular.

All of the investment properties owned by the Revised Hada Target Group are located in the PRC which will be owned by the Enlarged Group upon completion of the Hada Acquisition.

Profit from operations

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

The Revised Hada Target Group recorded profit from operations for the years ended 31 December 2017, 2018 and 2019 of RMB21.1 million, RMB56.3 million and RMB137.9 million, respectively. The increase in profit by approximately 167.1% in 2018 as compared to 2017 was mainly attributable to (i) a decrease of RMB12.0 million in loss on disposal of property and equipment and investment properties; and (ii) a decrease of RMB15.1 million in accrual of VAT provision and related tax penalties. The increase in profit by approximately 145.0% in 2019 as compared to 2018 was mainly attributable to the waive of VAT provision and related tax penalties of RMB128.1 million including VAT and relating tax charges accrued for the interest income from related parties during previous years due to a new tax policy implemented in February 2019, partially offset by an impairment losses on other receivables of RMB36.0 million.

Finance Income and Expenses

Finance income of the Revised Hada Target Group consisted of mainly interest income on receivables from related parties and, to a much lesser extent, interest income on bank deposits. Finance income decreased from RMB835.8 million in 2017 to RMB545.0 million in 2018, and further decreased to RMB96.4 million in 2019. The continuous decrease throughout the period from 2017–2019 was mainly attributable to the decreases in interest income on receivables derived from advances to related parties due to their repayment during the period.

Finance expenses of the Revised Hada Target Group consisted of mainly interest expenses on interest-bearing borrowings. Finance expenses decreased from RMB935.2 million in 2017 to RMB592.0 million in 2018, and further to RMB139.6 million in 2019. These decreases were mainly attributable to decreases in interest expenses on borrowings due to the decreases in outstanding borrowings from commercial banks and other financial institutions.

Net finance expenses of the Revised Hada Target Group was RMB99.4 million, RMB47.1 million and RMB43.2 million, respectively, for the years ended 31 December 2017, 2018 and 2019.

Income Tax

Certain entities of the Revised Hada Target Group were incorporated in Hong Kong and were subject to Hong Kong profit tax at a rate of 16.5% during each of the three years ended 31 December 2019. Certain entities of the Revised Hada Target Group were incorporated in the BVI and were not subject to any income tax. Certain entities of the Revised Hada Target Group were incorporated in the PRC (excluding Hong Kong) and were subject to the PRC corporate income tax at a rate of 25% during each of the three years ended 31 December 2019.

Income tax of the Revised Hada Target Group was RMB20.5 million, RMB23.8 million and RMB20.3 million, respectively, in 2017, 2018 and 2019. These were mainly due to the reversal of deferred tax assets previously recognised.

Loss/Profit for the Year

As a result of the foregoing, the Revised Hada Target Group recorded a loss of RMB98.8 million and RMB14.6 million for 2017 and 2018, respectively, and a profit of RMB74.4 million for 2019.

Liquidity and Financial Resources

The Revised Hada Target Group financed working capital and capital expenditures principally through cash generated from operating activities, borrowings (mainly bank loans and loans from other financial institutions) and internal cash resources. As at 31 December 2019, cash at bank and on hand of the Revised Hada Target Group amounted to RMB1,404.8 million.

Cash inflows from operations of the Revised Hada Target Group were primarily generated from rental and sales of goods. Cash outflows from operations were mainly for expenditures on other operating expenses, as well as income tax payments. Net cash generated from operating activities in 2017 was RMB176.8 million, comprised the cash inflow from operating activities of RMB178.4 million, partially offset by income tax payment of RMB1.6 million. Net cash generated from operating activities in 2018 was RMB139.4 million, contributed by the cash inflow from operating activities of RMB141.7 million, partially offset by income tax payment of RMB2.3 million. Net cash used in operating activities in 2019 was RMB55.6 million, arose from cash outflow from operating activities of RMB52.4 million, and income tax payment of RMB3.2 million.

Net cash generated from investing activities in 2017, 2018 and 2019 were RMB2,657.0 million, RMB8,769.9 million and RMB7,638.5 million, respectively, which primarily reflected the decrease in amounts due from related parties.

Net cash used in financing activities in 2017, 2018 and 2019 were RMB2,552.4 million, RMB9,090.5 million and RMB6,307.1 million, respectively. In 2017, the net cash used in financing activities was mainly due to the increase in the proceeds from interest-bearing

borrowings, partially offset by the repayment of interest-bearing borrowings. In 2018 and 2019, the net cash used in financing activities was primarily due to the repayment of interest-bearing borrowings and decrease in amounts due to related parties.

As at 31 December 2017, the Revised Hada Target Group had net current assets of RMB2,075.5 million. As at 31 December 2018 and 31 December 2019, the Revised Hada Target Group had net current liabilities of RMB33.7 million and RMB3,327.2 million, respectively. The change in net current assets to net current liabilities from 2017 to 2018 and further increase in the net current liability position in 2019 was primarily due to decrease in amounts due from related parties and cash at bank and on hand which was partially offset by the decrease in interest-bearing borrowings and trade and other payables.

As at 31 December 2019, total borrowings of the Revised Hada Target Group amounted to RMB2,497.0 million. These included mainly short-term bank loans of RMB2,397.0 million and other unsecured borrowings in an aggregate amount of RMB100.0 million. All short-term bank loans are secured by bank deposits or guaranteed by related parties, bearing fixed interest rates ranging from 4.75% to 5.0025% per annum, with original maturity within 1 to 3 years.

Gearing Ratio

The gearing ratio of Revised Hada Target Group, which is equal to interest-bearing borrowings over total assets as at 31 December 2017, 2018 and 2019, was 69.5%, 58.9% and 95.4%, respectively.

Significant Investments

The Revised Hada Target Group did not have any material equity investments as at 31 December 2017, 2018 and 2019.

Contingent Liabilities

As at 31 December 2017, 2018 and 2019, the Revised Hada Target Group has provided guarantees to related parties in respect of loans amounted to RMB5,720.0 million, RMB5,714.0 million and nil, respectively.

Commitments

As at 31 December 2019, the Revised Hada Target Group did not have any outstanding commitments.

Financial Risk Management

For the years ended 31 December 2017, 2018 and 2019, the Revised Hada Target Group was mainly exposed to credit, liquidity and interest rate risks arising in the normal course of business. For details of the exposure to such risks and the relevant risk management policies

and practices adopted by the Revised Hada Target Group, please refer to Note 21 of the Accountant's Report on the Revised Hada Target Group as set out in Appendix III to this circular.

As the operations of the Revised Hada Target Group were principally based in the PRC for the years ended 31 December 2017, 2018 and 2019, the principal assets and liabilities of the Revised Hada Target Group were denominated in Renminbi and therefore the Revised Hada Target Group considered that it did not have any material exposure to fluctuations in exchange rate and no hedging measures were taken.

The following is the text of a report set out on pages III-1 to III-43, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF REVISED HADA TARGET GROUP TO THE DIRECTORS OF CHINA DILI GROUP

Introduction

We report on the Historical Financial Information relating to United Progress Group Limited (the "Hada Target Company") and its subsidiaries (together, the "Revised Hada Target Group") set out on pages III-3 to III-43, which comprises the combined statements of financial position as at 31 December 2017, 2018 and 2019, the combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flow statements, for each of the years ended 31 December 2017, 2018 and 2019 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"), for inclusion in the circular of China Dili Group (the "Company") dated 29 May 2020 (the "Circular") in connection with the acquisition of the entire issued share capital of the Hada Target Company, which controls the Revised Hada Target Group as at the date of the Circular (the "Hada Acquisition").

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

The Underlying Financial Statements of the Revised Hada Target Group as defined on page III-3, on which the Historical Financial Information is based, were prepared by the directors of the Hada Target Company. The directors of the Hada Target Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), and for such internal control as the directors of the Hada Target Company determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical

Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the Revised Hada Target Group’s combined financial position as at 31 December 2017, 2018 and 2019 and of the Revised Hada Target Group’s combined financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

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

Adjustments

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

KPMG

Certified Public Accountants

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

29 May 2020

HISTORICAL FINANCIAL INFORMATION

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

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

Combined statements of profit or loss

	<i>Note</i>	Years ended 31 December		
		2017	2018	2019
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4(a)	79,974	78,430	83,497
Cost of sales		(2,720)	—	—
Gross profit		77,254	78,430	83,497
Other net (losses)/income	5	(23,668)	5,603	95,443
Valuation losses on investment properties	11	(16,268)	(14,614)	(29,296)
Administrative expenses		(12,497)	(9,369)	(8,593)
Other operating expenses		(3,747)	(3,757)	(3,119)
Profit from operations		<u>21,074</u>	<u>56,293</u>	<u>137,932</u>
Finance income		835,836	544,992	96,361
Finance expenses		(935,243)	(592,049)	(139,553)
Net finance expenses	6(a)	<u>(99,407)</u>	<u>(47,057)</u>	<u>(43,192)</u>
(Loss)/profit before taxation	6	(78,333)	9,236	94,740
Income tax	7	(20,469)	(23,819)	(20,319)
(Loss)/profit for the year		<u>(98,802)</u>	<u>(14,583)</u>	<u>74,421</u>

The accompanying notes form part of the Historical Financial Information.

Combined statements of profit or loss and other comprehensive income

	Years ended 31 December		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the year	(98,802)	(14,583)	74,421
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations	<u>137,991</u>	<u>(94,879)</u>	<u>(46,112)</u>
Total comprehensive income for the year	<u><u>39,189</u></u>	<u><u>(109,462)</u></u>	<u><u>28,309</u></u>

The accompanying notes form part of the Historical Financial Information.

Combined statements of financial position

	<i>Note</i>	At 31 December		
		2017	2018	2019
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property and equipment	10	5,971	5,538	3,631
Investment properties	11	669,643	653,391	625,333
Intangible assets	12	12,049	7,129	3,041
Deferred tax assets	18(b)	<u>386,346</u>	<u>364,946</u>	<u>347,914</u>
Total non-current assets		<u>1,074,009</u>	<u>1,031,004</u>	<u>979,919</u>
Current assets				
Inventories		1,564	1,471	1,398
Other receivables	13	15,032,918	6,760,047	230,880
Cash at bank and on hand	14	<u>2,110,120</u>	<u>1,929,039</u>	<u>1,404,829</u>
Total current assets		<u>17,144,602</u>	<u>8,690,557</u>	<u>1,637,107</u>
Current liabilities				
Trade and other payables	15	7,027,143	5,637,717	2,542,203
Interest-bearing borrowings	16(a)	8,037,000	3,081,449	2,417,000
Taxation	18(a)	<u>4,913</u>	<u>5,059</u>	<u>5,152</u>
Total current liabilities		<u>15,069,056</u>	<u>8,724,225</u>	<u>4,964,355</u>
Net current assets/(liabilities)		<u>2,075,546</u>	<u>(33,668)</u>	<u>(3,327,248)</u>
Total assets less current liabilities		<u>3,149,555</u>	<u>997,336</u>	<u>(2,347,329)</u>

Combined statements of financial position (Continued)

	<i>Note</i>	At 31 December		
		2017	2018	2019
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities				
Interest-bearing borrowings	16(b)	4,634,000	2,644,000	80,000
Deferred income	17	<u>48,423</u>	<u>44,511</u>	<u>40,659</u>
Total non-current liabilities		<u><u>4,682,423</u></u>	<u><u>2,688,511</u></u>	<u><u>120,659</u></u>
Net liabilities		<u><u>(1,532,868)</u></u>	<u><u>(1,691,175)</u></u>	<u><u>(2,467,988)</u></u>
Capital and reserves				
Share capital		—	—*	—*
Reserves		<u>(1,532,868)</u>	<u>(1,691,175)</u>	<u>(2,467,988)</u>
Total equity — deficit		<u><u>(1,532,868)</u></u>	<u><u>(1,691,175)</u></u>	<u><u>(2,467,988)</u></u>

* Share capital is less than RMB1,000.

The accompanying notes form part of The Historical Financial Information.

Combined statements of changes in equity

		PRC statutory	Exchange	Accumulated	Total
	Share capital	reserve	reserves	losses	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Note	20(a)	20(b)(i)	20(b)(ii)		
Balance at 1 January 2017	—	142,806	(1,246,337)	(468,526)	(1,572,057)
Changes in equity for 2017					
Loss for the year	—	—	—	(98,802)	(98,802)
Other comprehensive income	—	—	137,991	—	137,991
Total comprehensive income	—	—	137,991	(98,802)	39,189
Balance at 31 December 2017	—	142,806	(1,108,346)	(567,328)	(1,532,868)
Balance at 1 January 2018	—	142,806	(1,108,346)	(567,328)	(1,532,868)
Changes in equity for 2018					
Loss for the year	—	—	—	(14,583)	(14,583)
Other comprehensive income	—	—	(94,879)	—	(94,879)
Total comprehensive income	—	—	(94,879)	(14,583)	(109,462)
Transfer to reserve fund	20(b)(i)	997	—	(997)	—
Deemed distribution to shareholders	20(b)(iii)	—	—	(48,845)	(48,845)
Balance at 31 December 2018	—*	143,803	(1,203,225)	(631,753)	(1,691,175)
Balance at 1 January 2019	—*	143,803	(1,203,225)	(631,753)	(1,691,175)
Changes in equity for 2019					
Profit for the year	—	—	—	74,421	74,421
Other comprehensive income	—	—	(46,112)	—	(46,112)
Total comprehensive income	—	—	(46,112)	74,421	28,309
Transfer to reserve fund	20(b)(i)	961	—	(961)	—
Deemed distribution to shareholders	20(b)(iii)	—	—	(805,122)	(805,122)
Balance at 31 December 2019	—*	144,764	(1,249,337)	(1,363,415)	(2,467,988)

* Share capital is less than RMB1,000.

The accompanying notes form part of The Historical Financial Information.

Combined cash flow statements

	<i>Note</i>	Years ended 31 December		
		2017	2018	2019
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities				
(Loss)/profit for the year		(98,802)	(14,583)	74,421
Adjustments for:				
Depreciation	6(c)	2,972	1,750	1,905
Amortisation	6(c)	3,853	4,920	4,088
Impairment loss on other receivables	5	3,121	—	36,007
Finance expenses	6(a)	935,217	592,023	139,536
Finance income	6(a)	(835,836)	(544,992)	(96,361)
Government grants	17	(4,493)	(3,912)	(3,852)
Valuation loss on investment properties	11	16,268	14,614	29,296
Loss on disposal of property and equipment and investment properties	5	11,983	11	977
Income tax	7	20,469	23,819	20,319
Changes in working capital:				
Decrease in inventories		511	93	73
Increase in other receivables		(28,008)	(607)	(39,597)
Increase/(decrease) in trade and other payables		<u>151,169</u>	<u>68,589</u>	<u>(219,239)</u>
Cash generate from/(used in) operating activities		178,424	141,725	(52,427)
Income tax paid	18(a)	<u>(1,607)</u>	<u>(2,273)</u>	<u>(3,194)</u>
Net cash generate from/(used in) operating activities		<u>176,817</u>	<u>139,452</u>	<u>(55,621)</u>

Combined cash flow statements (Continued)

	<i>Note</i>	Years ended 31 December		
		2017	2018	2019
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investing activities				
Payment for purchase of property and equipment		(32,165)	(7,678)	(4,007)
(Increase)/decrease in time deposit with banks		(1,400,000)	—	1,800,000
Net decrease in amounts due from related parties		3,297,382	8,275,395	5,760,877
Interest received		788,874	494,230	79,841
Proceeds from disposal of property and equipment and investment properties		<u>2,913</u>	<u>7,988</u>	<u>1,794</u>
Net cash generated from investing activities		<u><u>2,657,004</u></u>	<u><u>8,769,935</u></u>	<u><u>7,638,505</u></u>
Financing activities				
Proceeds from interest-bearing borrowings		6,505,000	1,213,000	—
Repayment of interest-bearing borrowings		(5,912,797)	(8,158,551)	(3,228,449)
Net decrease in amounts due to related parties		(2,209,346)	(1,552,894)	(2,939,109)
Interest paid		<u>(935,217)</u>	<u>(592,023)</u>	<u>(139,536)</u>
Net cash used in financing activities		<u><u>(2,552,360)</u></u>	<u><u>(9,090,468)</u></u>	<u><u>(6,307,094)</u></u>
Net increase/(decrease) in cash and cash equivalents		281,461	(181,081)	1,275,790
Cash and cash equivalents at 1 January		<u>28,659</u>	<u>310,120</u>	<u>129,039</u>
Cash and cash equivalents at 31 December	<i>14(a)</i>	<u><u>310,120</u></u>	<u><u>129,039</u></u>	<u><u>1,404,829</u></u>

The accompanying notes form part of the Historical Financial Information.

Notes to Historical Financial Information

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

United Progress Group Limited (the “Hada Target Company”) was incorporated in the British Virgin Islands (the “BVI”) on 22 March 2018 as an exempted company with limited liability under the BVI Business Companies Act, 2004.

The Hada Target Company is an investment holding company and has not carried on any business operations since the date of its incorporation save for the Reorganisation described below. The Hada Target Company and its subsidiaries at the date of this report (together, the “Revised Hada Target Group”) are principally engaged in the business operations of the agricultural produce markets for the wholesaling and distribution of primarily vegetables and also fruits, seafood, meat, grain and oil and other food produce. No statutory financial statements have been prepared by the Hada Target Company since the date of its incorporation.

China Dili Group (the “Company”) proposed to acquire the land and properties in connection with the operations of its certain agricultural produce markets in the PRC (the “Proposed Acquisition”). In order to effect the Proposed Acquisition, the Company, Yield Smart Limited (the “Yield Smart”, a wholly-owned subsidiary of the Company) and New Amuse Limited (the “New Amuse”) have entered into a sales and purchase agreement dated 5 June 2018, as amended by a deed of amendment dated 27 April 2020, pursuant to which Yield Smart conditionally agreed to acquire a number of New Amuse’s subsidiaries. These entities, among others, include eight landlord companies (the “PRC Landlord Entities”) which hold the land and properties for the operations of six agricultural produce markets (the “Markets”).

Details of the Proposed Acquisition are set out section headed “LETTER FROM THE BOARD” in the circular.

In preparation for the Proposed Acquisition, New Amuse underwent a reorganisation (the “Reorganisation”) to rationalize the corporate structure which principally involve the following corporate transactions:

- (1) New Amuse incorporated the Hada Target Company;
- (2) New Amuse transferred to the Hada Target Company its entire equity interests in Crest Support Limited, Guan Wang Limited, Ming Gao Limited, Perfect Elements Express Limited, Topy Stage Limited, and Bumper Rise Limited, which indirectly hold the entire equity interests in the PRC Landlord Entities; and
- (3) The Hada Target Company transferred to New Amuse certain business of the PRC Landlord Entities, which are delineated from the agricultural produce wholesale market businesses to be sold by New Amuse under the Proposed Acquisition, and some dormant companies.

Upon completion of the Reorganisation, the Hada Target Company became the holding company of the companies now comprising the Revised Hada Target Group. As at the date of this report, the Hada Target Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Name of entity	Notes	Place and date of establishment	Particulars of issued and paid-up capital	Percentage of interest attributable to the Hada Target Company		Principal activities
				Direct	Indirect	
Harbin Hada Agricultural Produce and Side Products Joint Stock Co., Ltd. ("Harbin Hada") (哈爾濱哈達農副產品股份有限公司)	(ii)	Harbin the PRC 29 March 2002	RMB154,000,000	—	100%	Agricultural Produce Market
Harbin Youyi Warehouse Co., Ltd. ("Harbin Youyi") (哈爾濱友誼倉儲有限責任公司)	(ii)	Harbin the PRC 25 April 2005	RMB45,000,000	—	100%	Agricultural Produce Market
Shenyang Dili Agricultural Produce and Side Products Co., Ltd. ("Shenyang Dili") (瀋陽地利農副產品有限公司)	(iii)	Shenyang the PRC 21 December 2010	RMB800,000,000	—	100%	Agricultural Produce Market
Shenyang Jindongmao Property Co., Ltd. ("Shenyang Jindongmao") (瀋陽金東貿置業有限公司)	(iii)	Shenyang the PRC 26 December 2006	USD95,000,000	—	100%	Agricultural Produce Market
Mudanjiang Muda Agricultural Produce and Side Products Co., Ltd. ("Mudanjiang Muda") (牡丹江牡達農副產品有限公司)	(ii)	Mudanjiang the PRC 28 December 2009	USD30,000,000	—	100%	Agricultural Produce Market
Guiyang Dili Agricultural Produce Logistic Park Co., Ltd. ("Guiyang Dili") (貴陽地利農產品物流園有限公司)	(ii)	Guiyang the PRC 15 November 2010	USD30,000,000	—	100%	Agricultural Produce Market
Qiqihar Hada Agricultural Produce and Side Products Co., Ltd. ("Qiqihar Hada") (齊齊哈爾哈達農副產品有限公司)	(ii)	Qiqihar the PRC 14 August 2008	RMB50,000,000	—	100%	Agricultural Produce Market
Liaoning Yindali Property Investment Co., Ltd. ("Liaoning Yindali") (遼寧銀達利置業投資有限公司)	(iii)	Shenyang the PRC 25 January 2007	RMB20,000,000	—	100%	Agricultural Produce Market
Crest Support Limited		the BVI 26 May 2010	USD1	100%	—	Investment holding
Guan Wang Limited		the BVI 26 May 2010	USD1	100%	—	Investment holding
Ming Gao Limited		the BVI 26 May 2010	USD1	100%	—	Investment holding
Perfect Elements Express Limited		the BVI 28 December 2011	USD1	100%	—	Investment holding
Topsy Stage Limited		the BVI 30 August 2010	USD1	100%	—	Investment holding
Bumper Rise Limited		the BVI 15 September 2010	USD1	100%	—	Investment holding
Fine Creative Limited		Hong Kong 26 May 2010	HKD1	—	100%	Investment holding
Great Spread Corporation Limited		Hong Kong 26 May 2010	HKD1	—	100%	Investment holding
Honour Most Limited		Hong Kong 26 May 2010	HKD1	—	100%	Investment holding
Royal Future Limited		Hong Kong 19 July 2011	HKD1	—	100%	Investment holding

Name of entity	Notes	Place and date of establishment	Particulars of issued and paid-up capital	Percentage of interest attributable to the		Principal activities
				Hada Target	Company	
				Direct	Indirect	
City Hero International Limited		Hong Kong 8 December 2009	HKD1	—	100%	Investment holding
Lucky Base Limited		Hong Kong 28 July 2010	HKD1	—	100%	Investment holding
Ola Ola (Hong Kong) Limited		Hong Kong 23 December 2011	HKD10,000	—	100%	Investment holding

- (i) The English translation of the names of the PRC entities are for reference only. The official names of these entities are in Chinese.
- (ii) The statutory audit of these entities for the years ended 31 December 2017 and 2018 have been audited in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. The statutory audit of these entities for the year ended 31 December 2019 have not been completed.
- (iii) For the years ended 31 December 2017, 2018 and 2019, no audited statutory financial statements have been prepared for these entities.

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

The Reorganisation is considered as business combinations under the common control of New Amuse. Accordingly, the Historical Financial Information has been prepared using the principles of merger accounting as if the Revised Hada Target Group had always been in existence.

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

The combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Revised Hada Target Group for the Relevant Periods as set out in this report include the financial performance and cash flows of the companies now comprising the Revised Hada Target Group (or where the companies were incorporated or under common control of New Amuse at a date later than 1 January 2017, for the period from the date of incorporation or the date under common control to 31 December 2019) as if the current group structure had been in existence throughout the Relevant Periods. The combined statements of financial position of the Revised Hada Target Group as at 31 December 2017, 2018 and 2019 as set out in this report have been prepared to present the financial position of the companies now comprising the Revised Hada Target Group as at those dates as if the current group structure had been in existence as at the respective dates.

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

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

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Revised Hada Target Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in Note 24.

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

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

As at 31 December 2019, Revised Hada Target Group had net liabilities of RMB2,467,988,000, including amounts due to the intermediate holding companies RMB2,109,404,000 which will be subsequently settled as loan capitalisation before completion of the Hada Acquisition. The Historical Financial Information has been prepared on a going concern basis notwithstanding the above mentioned conditions, because the Revised Hada Target Group's intermediate holding company, New Amuse Limited, has confirmed that it will provide continuous financial support to the Revised Hada Target Group within the next twelve months after the end of the reporting date or before the completion of the Hada Acquisition, in order to enable it to meet its liabilities as and when they fall due. Meanwhile, based on a detailed review of the working capital forecast of the Revised Hada Target Group for the year ending 31 December 2020, the Revised Hada Target Group will have necessary liquid funds to finance its working capital and capital expenditure requirements. Accordingly, the directors of the Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

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

(b) Use of estimates and judgements

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

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

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

(c) Functional and presentation currency

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

(d) Subsidiaries

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

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

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

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

(e) Investment property

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

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

(f) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

The cost of self-constructed items of property and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- The Revised Hada Target Group's interest in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.
- Machinery equipment 5–10 years

— Office equipment	5–10 years
— Vehicles	5–20 years

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Intangible assets (other than goodwill)

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

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

— Software	3–10 years
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Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(h) Leased assets

At inception of a contract, the Revised Hada Target Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

When the Revised Hada Target Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Revised Hada Target Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(r)(i).

When the Revised Hada Target Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Revised Hada Target Group applies the exemption, then the Revised Hada Target Group classifies the sub-lease as an operating lease.

(i) **Credit losses and impairment of assets**

(i) *Credit losses from financial instruments*

The Revised Hada Target Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);
- lease receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Revised Hada Target Group in accordance with the contract and the cash flows that the Revised Hada Target Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Revised Hada Target Group is exposed to credit risk.

In measuring ECLs, the Revised Hada Target Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Revised Hada Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Revised Hada Target Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Revised Hada Target Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Revised Hada Target Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Revised Hada Target Group in full, without recourse by the Revised Hada Target Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Revised Hada Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Revised Hada Target Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Revised Hada Target Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(r)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Revised Hada Target Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Revised Hada Target Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) *Impairment of other non-current assets*

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

- Property and equipments and
- Intangible assets.

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

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process.

Inventories are carried at the lower of cost and net realisable value.

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

(k) Other receivables

A receivable is recognised when the Revised Hada Target Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Revised Hada Target Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(i)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(i)(i).

(m) Trade and other payables

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

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Revised Hada Target Group's accounting policy for borrowing costs.

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

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

(ii) Terminate benefits

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

(p) Income tax

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

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

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

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

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(e), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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

- in the case of current tax assets and liabilities, the Revised Hada Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Other provisions and contingent liabilities

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

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

(r) Revenue and other income

Income is classified by the Revised Hada Target Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Revised Hada Target Group's assets under leases in the ordinary course of the Revised Hada Target Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Revised Hada Target Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Revised Hada Target Group's revenue and other income recognition policies are as follows:

(i) Lease income from operating lease

Lease income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised in profit or loss as an integral part of the total lease income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(i)(i)).

(iii) *Government grants*

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

(s) **Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

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

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

(t) **Borrowing costs**

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

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

(u) **Related parties**

- (a) A person, or a close member of that person's family, is related to the Revised Hada Target Group if that person:
- (i) has control or joint control over the Revised Hada Target Group;
 - (ii) has significant influence over the Revised Hada Target Group; or
 - (iii) is a member of the key management personnel of the Revised Hada Target Group or the Revised Hada Target Group's parent.
- (b) An entity is related to the Revised Hada Target Group if any of the following conditions applies:
- (i) The entity and the Revised Hada Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Revised Hada Target Group or an entity related to the Revised Hada Target Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Revised Hada Target Group or to the Revised Hada Target Group's parent.

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

3 ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

(a) Credit loss of other receivables

The Revised Hada Target Group recognise a loss allowance for ECLs on financial assets measured at amortised cost. ECLs on these financial assets are estimated using a provision matrix based on the Revised Hada Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If the financial condition of the debtors and the general economic conditions were to deteriorate, actual write-offs would be higher than estimated.

(b) Impairment losses of non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets". The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Revised Hada Target Group's assets are

not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. The Revised Hada Target Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

(c) Recognition of deferred tax assets

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

(d) Taxes

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	Years ended 31 December		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating lease	77,050	78,430	83,497
Sales of goods	<u>2,924</u>	<u>—</u>	<u>—</u>
	<u><u>79,974</u></u>	<u><u>78,430</u></u>	<u><u>83,497</u></u>

For the years ended 31 December 2017, 2018 and 2019, as a result of framework lease agreement signed between PRC subsidiaries of the Company (the “PRC Operating Companies”) and PRC Landlord Companies (the “Framework Lease Agreement”), the PRC Operating Companies were the Revised Hada Target Group’s customers whose transactions had exceeded 10% of Revised Hada Target Group’s revenue.

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

(b) Segment reporting

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

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

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

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

5 OTHER NET (LOSSES)/INCOME

	Years ended 31 December		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss on disposal of property and equipment and investment properties	(11,983)	(11)	(977)
Impairment losses on other receivables (i)	(3,121)	—	(36,007)
(Accrual)/waive of VAT provision and related tax penalties (ii)	(15,109)	—	128,099
Government grants	6,522	5,569	4,242
Others	<u>23</u>	<u>45</u>	<u>86</u>
	<u>(23,668)</u>	<u>5,603</u>	<u>95,443</u>

- (i) As at 31 December 2017 and 2019, other receivables of RMB3,121,000 and RMB36,007,000 were individually determined to be impaired, respectively. The individually impaired receivables related to balances that management assessed not to be recovered based on available information.
- (ii) The amount of waive of VAT provision and related tax penalties for the year ended 31 December 2019 mainly represented waive of VAT and relating tax penalties accrued for the interest income from related parties during previous years. Upon implementation of PRC circular [2019] No. 20. issued by the State Administration of Taxation Bureau in February 2019, the amount were reversed accordingly.

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Net finance expenses

	Years ended 31 December		
	2017 RMB'000	2018 RMB'000	2019 RMB'000
Finance income			
— Interest income on bank deposits	(52,664)	(48,457)	(43,710)
— Interest income on receivables from related parties	(783,172)	(496,535)	(52,651)
	<u>(835,836)</u>	<u>(544,992)</u>	<u>(96,361)</u>
Finance expenses			
— Interest expenses on interest-bearing borrowings	935,217	592,023	139,536
— Bank charges and other finance costs	26	26	17
	<u>935,243</u>	<u>592,049</u>	<u>139,553</u>
	<u>99,407</u>	<u>47,057</u>	<u>43,192</u>

(b) Personnel expenses

	Years ended 31 December		
	2017 RMB'000	2018 RMB'000	2019 RMB'000
Wages, salaries and other benefits	1,335	1,300	926
Contributions to defined contribution retirement plans	758	683	614
	<u>2,093</u>	<u>1,983</u>	<u>1,540</u>

The employees of the entities comprising the Revised Hada Target Group established in the PRC participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby these entities are required to contribute to the scheme at rates ranging from 16% to 20% of the minimum local base of retirement schemes. Employees of these entities are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement scheme at their normal retirement age. The Revised Hada Target Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Years ended 31 December		
	2017 RMB'000	2018 RMB'000	2019 RMB'000
Depreciation (Note 10)	2,972	1,750	1,905
Amortisation (Note 12)	3,853	4,920	4,088
Utilities and fuels	1,489	1,188	1,238
Repair and maintenance	1,138	1,509	1,230
Auditor's remuneration	1,605	393	220

7 INCOME TAX IN THE COMBINED STATEMENTS OF PROFIT OR LOSS

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

	Years ended 31 December		
	2017 RMB'000	2018 RMB'000	2019 RMB'000
Current tax			
Provision for the year (Note 18(a))	1,155	2,419	3,287
Deferred tax			
Origination and reversal of temporary differences (Note 18(b))	19,314	21,400	17,032
	<u>20,469</u>	<u>23,819</u>	<u>20,319</u>

- (i) Certain entities of the Revised Hada Target Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% during the Relevant Periods.
- (ii) Certain entities of the Revised Hada Target Group incorporated in the British Virgin Islands (the "BVI") are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (iii) Certain entities of the Revised Hada Target Group incorporated in the PRC (excluding Hong Kong) are subject to the PRC Corporate Income Tax rate of 25% during the Relevant Periods.

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

	Years ended 31 December		
	2017 RMB'000	2018 RMB'000	2019 RMB'000
(Loss)/profit before taxation	(78,333)	9,236	94,740
National tax on loss before tax, calculated at PRC corporate income tax rate	(19,584)	2,309	23,685
Tax effect on non-deductible expenses	3,925	58	(6,248)
Tax effect of unused tax losses not recognised	36,422	22,037	3,134
Tax effect of tax losses utilised while not recognised in prior years	(118)	(681)	(265)
Others	(176)	96	13
	<u>20,469</u>	<u>23,819</u>	<u>20,319</u>

8 DIRECTORS' REMUNERATION

The Revised Hada Target Group has paid no directors' remuneration to the directors for the years ended 31 December 2017, 2018 and 2019.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The Revised Hada Target Group has paid no directors' remuneration to the directors for the years ended 31 December 2017, 2018 and 2019.

10 PROPERTY AND EQUIPMENT

	Fixtures and furniture <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:				
At 1 January 2017	919	11,821	6,027	18,767
Additions	760	322	—	1,082
Disposals	(30)	(397)	(487)	(914)
	<u>1,649</u>	<u>11,746</u>	<u>5,540</u>	<u>18,935</u>
At 31 December 2017 and 1 January 2018	1,649	11,746	5,540	18,935
Additions	161	—	1,178	1,339
Disposals	—	(135)	(305)	(440)
	<u>1,810</u>	<u>11,611</u>	<u>6,413</u>	<u>19,834</u>
At 31 December 2018 and 1 January 2019	1,810	11,611	6,413	19,834
Disposals	—	(37)	—	(37)
	<u>1,810</u>	<u>11,574</u>	<u>6,413</u>	<u>19,797</u>
At 31 December 2019	<u>1,810</u>	<u>11,574</u>	<u>6,413</u>	<u>19,797</u>
Accumulated depreciation and impairment loss:				
At 1 January 2017	(111)	(5,595)	(5,118)	(10,824)
Charge for the year (<i>Note 6(c)</i>)	(70)	(2,751)	(151)	(2,972)
Written back on disposals	29	334	469	832
	<u>(152)</u>	<u>(8,012)</u>	<u>(4,800)</u>	<u>(12,964)</u>
At 31 December 2017 and 1 January 2018	(152)	(8,012)	(4,800)	(12,964)
Charge for the year (<i>Note 6(c)</i>)	(70)	(1,529)	(151)	(1,750)
Written back on disposals	—	128	290	418
	<u>(222)</u>	<u>(9,413)</u>	<u>(4,661)</u>	<u>(14,296)</u>
At 31 December 2018 and 1 January 2019	(222)	(9,413)	(4,661)	(14,296)
Charge for the year (<i>Note 6(c)</i>)	(70)	(1,461)	(374)	(1,905)
Written back on disposals	—	35	—	35
	<u>(292)</u>	<u>(10,839)</u>	<u>(5,035)</u>	<u>(16,166)</u>
At 31 December 2019	<u>(292)</u>	<u>(10,839)</u>	<u>(5,035)</u>	<u>(16,166)</u>
Net book value:				
At 31 December 2017	<u>1,497</u>	<u>3,734</u>	<u>740</u>	<u>5,971</u>
At 31 December 2018	<u>1,588</u>	<u>2,198</u>	<u>1,752</u>	<u>5,538</u>
At 31 December 2019	<u>1,518</u>	<u>735</u>	<u>1,378</u>	<u>3,631</u>

11 INVESTMENT PROPERTIES

	<i>RMB'000</i>
At fair value:	
At 1 January 2017	669,643
Additions	31,082
Change in fair value	(16,268)
Disposals	<u>(14,814)</u>
At 31 December 2017	669,643
Additions	6,339
Change in fair value	(14,614)
Disposals	<u>(7,977)</u>
At 31 December 2018	653,391
Additions	4,007
Change in fair value	(29,296)
Disposals	<u>(2,769)</u>
At 31 December 2019	<u><u>625,333</u></u>

Notes:

- (i) As result of the Framework Lease Agreement signed in July 2015, all of the investment properties have been leased to the PRC Operating Companies for 20 years with annual rent of RMB100,000,000 from 2015 to 2018. And the annual rent of 2019 was RMB105,000,000.
- (ii) All of the investment properties owned by the Revised Hada Target Group are located in the PRC.
- (iii) As at 31 December 2017, 2018 and 2019, certain of investment properties were pledged as securities for bank loans, which had an aggregate carrying value of RMB321,474,000, RMB238,517,000 and RMB228,290,000, respectively.
- (iv) As at 31 December 2017, 2018 and 2019, the Revised Hada Target Group is in the process of applying for registration of the ownership certificates for certain of its investment properties, with a total original cost of RMB850,869,000, RMB865,466,000, RMB339,853,000 as at 31 December 2017, 2018, and 2019, respectively. The directors are of the opinion that the Revised Hada Target Group is entitled to lawfully occupy or use these investment properties.
- (a) Fair value measurement of investment properties**
- (i) *Fair value hierarchy*

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

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

- Level 3 valuations: Fair value measured using significant unobservable inputs

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

All investment properties of the Revised Hada Target Group were revalued at 31 December, 2017, 2018 and 2019. The valuations were carried out by an independent firm of surveyors, BMI Appraisals Limited (“BMI”), who has among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The Revised Hada Target Group’s property manager and the financial manager have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting period.

(ii) *Information about Level 3 fair value measurement*

	Valuation techniques	Unobservable input	Weighted average
Investment properties — Mainland China	Discounted cash flow	Risk-adjusted discount rate	2017: 10.9% 2018: 11.1% 2019: 11.5%
		Expected market rental growth	2017: 2% 2018: 2% 2019: 2%

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

(b) **Assets leased out under operating leases**

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

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

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

	At 31 December		
	2017 RMB'000	2018 RMB'000	2019 RMB'000
Within 1 year	82,352	87,672	87,672
After 1 years but within 5 years	363,166	367,650	372,133
After 5 years	1,352,182	1,258,028	1,163,874
	<u>1,797,700</u>	<u>1,713,350</u>	<u>1,623,679</u>

12 INTANGIBLE ASSETS

Software

RMB'000

Cost:

At 1 January 2017	26,202
Disposals	<u>(7)</u>

At 31 December 2017, 2018 and 2019	<u><u>26,195</u></u>
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Accumulated amortisation:

At 1 January 2017	(10,300)
Charge for the year (<i>Note 6(c)</i>)	(3,853)
Written back on disposals	<u>7</u>

At 31 December 2017 and 1 January 2018	(14,146)
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Charge for the year (<i>Note 6(c)</i>)	<u>(4,920)</u>
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At 31 December 2018 and 1 January 2019	(19,066)
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Charge for the year (<i>Note 6(c)</i>)	<u>(4,088)</u>
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At 31 December 2019	<u><u>(23,154)</u></u>
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Net book value:

At 31 December 2017	<u><u>12,049</u></u>
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At 31 December 2018	<u><u>7,129</u></u>
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At 31 December 2019	<u><u>3,041</u></u>
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13 OTHER RECEIVABLES

At 31 December

	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from related parties (i)	14,954,540	6,630,300	81,023
Amounts due from third parties	6,086	6,946	9,982
Interest receivable (ii)	46,962	97,724	114,244
Tax recoverable	23,193	23,283	23,138
Others	<u>2,137</u>	<u>1,794</u>	<u>2,493</u>
	<u><u>15,032,918</u></u>	<u><u>6,760,047</u></u>	<u><u>230,880</u></u>

Notes:

- (i) Amounts due from related parties are unsecured, bear interest rates ranging from 4.75% to 9.50% per annum. Certain of the balances should be settled before or upon the completion of Hada Acquisition as it was one of the conditional precedent of the Hada Acquisition.

As disclosed in Note 20(b)(iii), certain balances of the amounts due from related parties are waived by the Revised Hada Target Group.

- (ii) Interest receivable mainly represents the interest on bank deposits, which were settled in January 2020.
- (iii) Except as disclosed in Note 13(i), other receivables are interest-free and expected to be recovered or recognised as expense within one year.

14 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION**(a) Cash at bank and on hand comprise:**

	At 31 December		
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash on hand	37	25	30
Cash at bank	<u>2,110,083</u>	<u>1,929,014</u>	<u>1,404,799</u>
	<u><u>2,110,120</u></u>	<u><u>1,929,039</u></u>	<u><u>1,404,829</u></u>
Representing:			
— Cash and cash equivalents	310,120	129,039	1,404,829
— Time deposits with original maturity over three months	1,800,000	1,800,000	—

As at 31 December 2017, 2018 and 2019, certain of time deposits/cash at bank were pledged as securities for interest-bearing borrowings, which had an aggregate carrying value of RMB1,800,000,000, RMB1,800,000,000 and RMB1,400,000,000 respectively.

(b) Reconciliation of liabilities arising from financing activities

	Interest-bearing borrowings RMB'000	Trade and other payables — Interest payables RMB'000	Trade and other payables — Amounts due to related parties RMB'000	Total RMB'000
At 1 January 2017	12,078,797	—	8,833,239	20,912,036
Changes from financing cash flows:				
Proceeds from borrowings	6,505,000	—	—	6,505,000
Repayment of borrowings	(5,912,797)	—	—	(5,912,797)
Borrowing costs paid	—	(935,217)	—	(935,217)
Net decrease in amounts due to related parties	—	—	(2,209,346)	(2,209,346)
Total changes from financing cash flows	592,203	(935,217)	(2,209,346)	(2,552,360)
Effect of foreign exchanges rates changes	—	—	137,990	137,990
Other changes:				
Interest expenses (<i>Note 6(a)</i>)	—	935,217	—	935,217
At 31 December 2017 and 1 January 2018	12,671,000	—	6,761,883	19,432,883
Changes from financing cash flows:				
Proceeds from borrowings	1,213,000	—	—	1,213,000
Repayment of borrowings	(8,158,551)	—	—	(8,158,551)
Borrowing costs paid	—	(592,023)	—	(592,023)
Net decrease in amounts due to related parties	—	—	(1,552,894)	(1,552,894)
Total changes from financing cash flows	(6,945,551)	(592,023)	(1,552,894)	(9,090,468)
Effect of foreign exchanges rates changes	—	—	94,879	94,879
Other changes:				
Interest expenses (<i>Note 6(a)</i>)	—	592,023	—	592,023
At 31 December 2018 and 1 January 2019	5,725,449	—	5,303,868	11,029,317
Changes from financing cash flows:				
Repayment of borrowings	(3,228,449)	—	—	(3,228,449)
Borrowing costs paid	—	(139,536)	—	(139,536)
Net decrease in amounts due to related parties	—	—	(2,939,109)	(2,939,109)
Total changes from financing cash flows	(3,228,449)	(139,536)	(2,939,109)	(6,307,094)
Effect of foreign exchanges rates changes	—	—	46,112	46,112
Other changes:				
Interest expenses (<i>Note 6(a)</i>)	—	139,536	—	139,536
At 31 December 2019	2,497,000	—	2,410,871	4,907,871

15 TRADE AND OTHER PAYABLES

	At 31 December		
	2017 RMB'000	2018 RMB'000	2019 RMB'000
Trade payables (<i>Note (ii)</i>)	73,125	59,719	59,103
Other payable			
— Amounts due to related parties (<i>Note (i)</i>)	6,761,883	5,303,868	2,410,871
— Amounts due to third parties	71,340	160,302	37,104
— Other taxes payable	107,648	110,350	10,387
— Salary and welfare expenses payable	52	46	80
— Others	2,050	1,853	1,760
	<u>6,942,973</u>	<u>5,576,419</u>	<u>2,460,202</u>
Financial liabilities measured at amortised cost	7,016,098	5,636,138	2,519,305
Receipt in advance — related parties (<i>Note 22(b)(i)</i>)	11,045	1,579	22,898
	<u>7,027,143</u>	<u>5,637,717</u>	<u>2,542,203</u>

All trade and other payables are interest-free, unsecured and have no fixed terms of repayment as at 31 December 2017, 2018 and 2019.

(i) Amounts due to related parties

Amounts due to related parties represent proceeds from related parties which are non-interest-bearing and has no fixed terms of repayment. Amount due to the intermediate holding companies of RMB2,190,227,000 as at 31 December 2019 will be subsequently injected as loan capitalisation before completion of the Hada Acquisition.

(ii) Ageing analysis

At 31 December 2017, 2018 and 2019, the ageing analysis of trade payables is as follows:

	At 31 December		
	2017 RMB'000	2018 RMB'000	2019 RMB'000
Due within one year or on demand	<u>73,125</u>	<u>59,719</u>	<u>59,103</u>

16 INTEREST-BEARING BORROWINGS

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

	<u>At 31 December</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans			
— secured	1,397,000	1,213,000	997,000
— unsecured	—	1,398,449	—
Government grants	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
	1,417,000	2,631,449	1,017,000
Add: current portion of long-term interest-bearing borrowings (<i>Note 16(b)</i>)	<u>6,620,000</u>	<u>450,000</u>	<u>1,400,000</u>
	<u><u>8,037,000</u></u>	<u><u>3,081,449</u></u>	<u><u>2,417,000</u></u>

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

	<u>At 31 December</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans			
— secured	9,574,000	3,014,000	1,400,000
— unsecured	1,600,000	—	—
Other loans — unsecured	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
	11,254,000	3,094,000	1,480,000
Less: current portion of long-term interest-bearing borrowings (<i>Note 16(a)</i>)	<u>(6,620,000)</u>	<u>(450,000)</u>	<u>(1,400,000)</u>
	<u><u>4,634,000</u></u>	<u><u>2,644,000</u></u>	<u><u>80,000</u></u>

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

	<u>At 31 December</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year or on demand	6,620,000	450,000	1,400,000
After 1 years but within 2 years	3,390,000	1,500,000	—
After 2 years but within 5 years	350,000	400,000	80,000
After 5 years	<u>894,000</u>	<u>744,000</u>	<u>—</u>
	<u><u>11,254,000</u></u>	<u><u>3,094,000</u></u>	<u><u>1,480,000</u></u>

(c) Secured bank loans as at 31 December 2017, 2018 and 2019 were secured by investment properties and bank deposits or guaranteed by related parties, bearing fixed interest rates of 2017, 2018 and 2019 ranging from 4.75% to 9.50%, 4.75% to 8.00% and 4.75% to 8.00% per annum, respectively, with original maturity within 1 to 10 years.

17 DEFERRED INCOME

	Government grants <i>RMB'000</i>
At 1 January 2017	52,916
Credited to profit or loss	<u>(4,493)</u>
At 31 December 2017 and 1 January 2018	48,423
Credited to profit or loss	<u>(3,912)</u>
At 31 December 2018 and 1 January 2019	44,511
Credited to profit or loss	<u>(3,852)</u>
At 31 December 2019	<u><u>40,659</u></u>

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

18 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

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

	At 31 December		
	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
At 1 January	5,365	4,913	5,059
Provision for the year (<i>Note 7(a)</i>)	1,155	2,419	3,287
Income tax paid	<u>(1,607)</u>	<u>(2,273)</u>	<u>(3,194)</u>
At 31 December	<u><u>4,913</u></u>	<u><u>5,059</u></u>	<u><u>5,152</u></u>

(b) Deferred tax assets recognised

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

Deferred tax arising from:	Fair value adjustment <i>RMB'000</i>	Government grants <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2017	394,204	11,456	405,660
Charged to profit or loss (<i>Note 7(a)</i>)	<u>(18,923)</u>	<u>(391)</u>	<u>(19,314)</u>
At 31 December 2017 and 1 January 2018	375,281	11,065	386,346
Charged to profit or loss (<i>Note 7(a)</i>)	<u>(20,009)</u>	<u>(1,391)</u>	<u>(21,400)</u>
At 31 December 2018 and 1 January 2019	355,272	9,674	364,946
Charged to profit or loss (<i>Note 7(a)</i>)	<u>(16,157)</u>	<u>(875)</u>	<u>(17,032)</u>
At 31 December 2019	<u><u>339,115</u></u>	<u><u>8,799</u></u>	<u><u>347,914</u></u>

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(p), the Revised Hada Target Group has not recognised deferred tax assets in respect of tax losses RMB255,492,000, RMB296,238,000 and RMB268,635,000 as at 31 December 2017, 2018 and 2019 respectively, as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses can be carried forward for five years from the year incurred.

19 CONTINGENCIES**Guarantees**

As at 31 December 2017, 2018 and 2019, the Revised Hada Target Group has provided guarantees to related parties in respect of loans amounted to RMB2,920,000,000, RMB2,914,000,000 and nil, respectively.

20 CAPITAL AND RESERVES**(a) Share capital**

For the purpose of the Historical Financial Information, share capital at 1 January 2017 and 31 December 2017 represents the combined share capital of Crest Support Limited, Guan Wang Limited, Ming Gao Limited, Perfect Elements Express Limited, Topyy Stage Limited, and Bumper Rise Limited (collectively as the "Original BVI Holding Companies") which are USD1 each as at 1 January 2017 and 31 December 2017 respectively. The share capital at 31 December 2018 and 2019 represents the combined share capital of the Original BVI Holding Companies and the Hada Target Company which are USD1 each as at 31 December 2018 and 2019 respectively.

The Hada Target Company was incorporated as an exempted company under the laws of the BVI with limited liability on 22 March 2018 with authorised share capital of USD50,000 divided into 50,000 shares of USD1 each. The share issued and fully paid was USD1 as at its incorporation date. The share capital of the Hada Target Company is USD1 as at 31 December 2018 and 2019.

(b) Nature and purpose of reserves*(i) PRC statutory reserve*

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

(ii) Exchange reserves

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

(iii) Deemed distribution to shareholders

Deemed distribution to shareholders mainly represent the loss as a result of waiving certain receivables due from related parties controlled by the controlling individual shareholder.

(c) Capital management

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

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

The Revised Hada Target Group monitors its capital structure on the basis of a gearing ratio, being the interest-bearing borrowings divided by the total assets. During the Relevant Periods, the Revised Hada Target Group's strategy was to maintain the gearing ratio above. The gearing ratio of the Revised Hada Target Group at 31 December 2017, 2018 and 2019 was 69.55%, 58.89% and 95.41%, respectively.

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

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS**(a) Credit risk**

Revised Hada Target Group's credit risk is primarily attributable to cash at bank and on hand, and other receivables. Management measures loss allowances for other receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Revised Hada Target Group's historical credit loss experience does not indicate significantly different loss patterns for different debtors, the loss allowance based on past due status is not further distinguished between the Revised Hada Target Group's different debtor bases.

The balances of receivables of Revised Hada Target Group mainly include amount due from related parties and interest receivables.

Receivables due from related parties accounted for 99.48%, 98.08% and 35.09% of all the receivables as at 31 December 2017, 2018 and 2019. According to the Announcement, most of the other receivables due from related parties are anticipated to be settled before completion of the Hada Acquisition. After carefully evaluating the financial ability of those related parties, Management expects such balances of other receivables due from related parties are with minimal credit risks.

Interest receivables accounted for 0.31%, 1.45% and 49.5% of all the receivables as at 31 December 2017, 2018 and 2019. Management considers the balances of interest receivables are with minimal credit risks given all the balances are due from banks and have mostly subsequently settled.

(b) Liquidity risk

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

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

2017						
Contractual undiscounted cash outflow						
	Carrying amount at 31 December RMB'000	Due on demand or within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Financial liabilities measured at amortised cost (Note 15)	7,016,098	7,016,098	—	—	—	7,016,098
Interest-bearing borrowings (Note 16)	12,671,000	8,499,148	3,741,056	452,009	1,241,029	13,933,242
	<u>19,687,098</u>	<u>15,515,246</u>	<u>3,741,056</u>	<u>452,009</u>	<u>1,241,029</u>	<u>20,949,340</u>
2018						
Contractual undiscounted cash outflow						
	Carrying amount at 31 December RMB'000	Due on demand or within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Financial liabilities measured at amortised cost (Note 15)	5,636,138	5,636,138	—	—	—	5,636,138
Interest-bearing borrowings (Note 16)	5,725,449	4,625,346	111,665	502,009	991,276	6,230,296
	<u>11,361,587</u>	<u>10,261,484</u>	<u>111,665</u>	<u>502,009</u>	<u>991,276</u>	<u>11,866,434</u>
2019						
Contractual undiscounted cash outflow						
	Carrying amount at 31 December RMB'000	Due on demand or within 1 year RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Financial liabilities measured at amortised cost (Note 15)	2,519,305	2,519,305	—	—	—	2,519,305
Interest-bearing borrowings (Note 16)	2,497,000	2,427,860	6,400	99,200	—	2,533,460
	<u>5,016,305</u>	<u>4,947,165</u>	<u>6,400</u>	<u>99,200</u>	<u>—</u>	<u>5,052,765</u>

(c) Interest rate risk

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

(i) *Interest rate profile*

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

	At 31 December					
	2017		2018		2019	
	<i>Effective interest rate</i> %	<i>RMB'000</i>	<i>Effective interest rate</i> %	<i>RMB'000</i>	<i>Effective interest rate</i> %	<i>RMB'000</i>
Net fixed rate borrowings:						
Interest-bearing borrowings	4.75%–9.50%	<u>7,561,000</u>	4.75%–8.00%	<u>5,325,449</u>	4.75%–8.00%	<u>2,497,000</u>
		<u>7,561,000</u>		<u>5,325,449</u>		<u>2,497,000</u>
Variable rate borrowings:						
Interest-bearing borrowings	4.75%–6.65%	<u>5,110,000</u>	4.75%	<u>400,000</u>	N/A	<u>—</u>
		<u>5,110,000</u>		<u>400,000</u>		<u>—</u>
Total borrowings		<u><u>12,671,000</u></u>		<u><u>5,725,449</u></u>		<u><u>2,497,000</u></u>
Net fixed rate borrowings as a percentage of total net borrowings		<u>60%</u>		<u>93%</u>		<u>100%</u>

(ii) *Sensitivity analysis*

At 31 December 2017, 2018 and 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Revised Hada Target Group's profit after tax and retained profits by approximately RMB38,325,000, RMB3,000,000 and nil.

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate borrowings held by the Revised Hada Target Group at the end of the Relevant Periods, the impact of which on the Revised Hada Target Group's loss after tax and accumulated losses is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for the years ended 31 December 2017, 2018 and 2019.

(d) **Fair values measurement**

Investment Properties are measured at fair value. Fair value hierarchy of investment properties is the same as disclosed in Note 11.

As at 31 December 2017, 2018 and 2019, there is no financial instrument carried at fair value.

22 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Material related party transactions

	<u>At 31 December</u>		
	2017 RMB'000	2018 RMB'000	2019 RMB'000
Operating lease to the fellow subsidiaries	77,050	78,430	83,497
Interest income from the fellow subsidiaries (<i>Note 6(a)</i>)	783,172	496,535	52,651
Net decrease in amounts due from the fellow subsidiaries	(1,817,098)	(8,327,875)	(6,551,044)
Net (decrease)/increase in amount due from the immediate holding company	(67,018)	3,635	1,767
Net (increase)/decrease in amounts due to the fellow subsidiaries	(381,681)	1,556,527	2,941,151
Net decrease/(increase) in amount due to the immediate holding company	204,982	(98,512)	(48,154)
Guarantees received from (<i>i</i>)			
— Fellow subsidiaries	800,000	997,000	—
— Fellow subsidiaries and the ultimate holding company	1,450,000	376,000	—
— Fellow subsidiary, the immediate holding company and the ultimate holding company	1,265,000	—	—
Guarantees revoked from			
— Fellow subsidiaries	2,041,797	4,677,000	—
— Fellow subsidiaries and the ultimate holding company	710,000	3,390,000	216,000
— Fellow subsidiaries and the immediate holding company	1,020,000	—	1,214,000
— The ultimate holding company	50,000	—	—

- (i) Guarantees received from related parties represent guarantees the bank loans obtained by certain subsidiaries of the Revised Hada Target Group. The periods of these loans are from 16 January 2017 to 25 December 2026 and 12 January 2018 to 10 January 2020, for the years ended 31 December 2017 and 2018, respectively.

(b) Related parties balances

	<i>Note</i>	<u>At 31 December</u>		
		2017 RMB'000	2018 RMB'000	2019 RMB'000
Amounts due to the fellow subsidiaries		(4,718,041)	(3,161,514)	(220,363)
Amounts due to the immediate holding company		(2,043,842)	(2,142,354)	(2,190,508)
Receipt in advance from the fellow subsidiaries	(<i>i</i>)	(11,045)	(1,579)	(22,898)
		<u>(6,772,928)</u>	<u>(5,305,447)</u>	<u>(2,433,769)</u>
Amounts due from the fellow subsidiaries	<i>13(i)</i>	14,879,118	6,551,243	199
Amounts due from the immediate holding company		75,422	79,057	80,824
		<u>14,954,540</u>	<u>6,630,300</u>	<u>81,023</u>
		<u>8,181,612</u>	<u>1,324,853</u>	<u>(2,352,746)</u>

- (i) The balance represents rental expenses received in advance from the PRC Operating Companies.
- (ii) For the years ended 31 December 2017, 2018 and 2019, certain of investment properties amounted to nil, nil and RMB228,290,000 were pledged as securities to related parties in respect of bank loans amounted to nil, nil and RMB1,200,000,000 respectively.

23 IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

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

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Revised Hada Target Group.

	Effective for accounting periods beginning on or after
Revised Conceptual Framework for Financial Reporting 2018	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 9, <i>Financial instruments</i> , IAS 39, <i>Financial instruments: recognition and measurement</i> , and IFRS 7, <i>Financial instruments: disclosures, Interest rate benchmark reform</i>	1 January 2020
Amendments to IFRS 3, <i>Business Combination, Definition of a business</i>	1 January 2020
Amendments to IAS1, <i>Presentation of financial statements</i> , and IAS8, <i>Accounting policies, changes in accounting estimates and errors, Definition of a material</i>	1 January 2020
IFRS 17, <i>Insurance contracts</i>	1 January 2021
Amendments to IAS 1, <i>Presentation of financial statements, Classification of liabilities as current or non-current</i>	1 January 2022
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Revised Hada Target Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

25 NON-ADJUSTING EVENTS AFTER THE RELEVANT PERIODS

The COVID-19 outbreak since early 2020 has brought about additional uncertainties in the Revised Hada Target Group's operating environment. However, as the revenue of the Revised Hada Target Group were mainly generated from the lease income in accordance with the 20 years lease agreements entered into in the year 2015, the management estimated that the outbreak would have no significant impact on the operations and financial position of the Revised Hada Target Group.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Revised Hada Target Company or any of its subsidiaries in respect of any period subsequent to 31 December 2019.

The information set out in this Appendix does not form part of the Accountants' Report on the Revised Hada Target Group from KPMG, the Company's reporting accountants, as set out in "Appendix III — Accountants' Report on the Revised Hada Target Group", and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the Accountants' Reports set out in "Appendix III — Accountants' Report on the Revised Hada Target Group".

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.



INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA DILI GROUP

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Dili Group (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2019 and related notes as set out in Part A of Appendix IV to the circular dated 29 May 2020 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IV to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the entire equity interests in United Progress Group Limited (the "Hada Acquisition") on the Group's financial position as at 31 December 2019 as if the Hada Acquisition had taken place at 31 December 2019. As part of this process, information about the Group's financial position as at 31 December 2019 has been extracted by the Directors from the consolidated financial statements of the Company for the year then ended, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the

compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants

Hong Kong

29 May 2020

A. Pro Forma Financial Information of the Enlarged Group**1. Introduction**

The following is the illustrative and unaudited pro forma financial information of the Enlarged Group in connection with the Hada Acquisition by the Group. Details of the Hada Acquisition are set out in the section headed “LETTER FROM THE BOARD” contained in this Circular. The unaudited pro forma financial information presented below is prepared to illustrate the consolidated financial position of the Enlarged Group as at 31 December 2019 as if the Hada Acquisition had been completed on 31 December 2019.

The unaudited pro forma financial information of the Enlarged Group has been prepared in accordance with Paragraph 4.29 of the Listing Rules, for the purpose of illustrating the effect of the Hada Acquisition pursuant to the terms of the Hada Acquisition Agreement, and as amended by the Deed of Amendment. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of the Enlarged Group had the Hada Acquisition been completed as of the specified dates or any future date.

The unaudited pro forma financial information of the Enlarged Group is based upon the consolidated financial information of the Group for the year ended 31 December 2019, which has been extracted from the Company’s annual report for the year then ended as referred to in Appendix I contained in this Circular and adjusted on a pro forma basis to reflect the effect of the Hada Acquisition. These pro forma adjustments are (i) directly attributable to the Hada Acquisition and not relating to other future events and decisions and (ii) factually supportable.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the historical financial information of the Group set out in the annual report of the Company for the year ended 31 December 2019 and other financial information included elsewhere in this Circular.

2. Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2019

(Expressed in RMB'000)

	The Group	Pro forma adjustments				The Enlarged Group
		Note a	Note b	Note c	Note d	
Assets						
Property and equipment	4,778,359	3,631	—	(1,290,673)	4,481,400	7,972,717
Investment properties	4,768,900	625,333	—	(4,255,900)	6,036,400	7,174,733
Goodwill	1,094,526	—	—	—	370,234	1,464,760
Intangible assets	12,630	3,041	—	—	—	15,671
Other assets	927,677	—	—	—	—	927,677
Other receivables	255,460	—	—	—	—	255,460
Deferred tax assets	601	347,914	—	—	(347,914)	601
Total non-current assets	<u>11,838,153</u>					<u>17,811,619</u>
Inventories	44,337	1,398	—	—	—	45,735
Other receivables	948,968	230,880	(80,823)	—	—	1,099,025
Other assets	2,262	—	—	—	—	2,262
Cash at bank and on hand	671,619	1,404,829	—	—	—	2,076,448
Total current assets	<u>1,667,186</u>					<u>3,223,470</u>
Total assets	<u>13,505,339</u>					<u>21,035,089</u>

2. Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 31 December 2019 (Continued)

(Expressed in RMB'000)

	The Group	Pro forma adjustments				The Enlarged Group
		Note a	Note b	Note c	Note d	
Liabilities						
Loans and borrowings	173,500	2,417,000	—	—	—	2,590,500
Trade and other payables	860,281	2,542,203	(2,190,227)	—	—	1,212,257
Taxation	114,698	5,152	—	—	—	119,850
Lease liabilities	<u>125,617</u>	—	—	(85,412)	—	<u>40,205</u>
Total current liabilities	<u>1,274,096</u>					<u>3,962,812</u>
Net current assets/ (liabilities)	<u>393,090</u>					<u>(739,342)</u>
Loans and borrowings	299,680	80,000	—	—	—	379,680
Convertible bond	—	—	—	—	1,421,175	1,421,175
Deferred income	2,404	40,659	—	—	—	43,063
Deferred tax liabilities	1,657,844	—	—	(1,094,348)	2,281,536	2,845,032
Lease liabilities	<u>1,447,037</u>	—	—	(996,435)	—	<u>450,602</u>
Total non-current liabilities	<u>3,406,965</u>					<u>5,139,552</u>
Net assets/ (liabilities)	<u>8,824,278</u>					<u>11,932,725</u>
Equity						
Share capital	478,794	—	—	—	—	478,794
Reserves	<u>8,345,484</u>	—	—	529,622	2,578,825	<u>11,453,931</u>
Total Equity	<u>8,824,278</u>					<u>11,932,725</u>

Notes to the unaudited pro forma financial information of the Enlarged Group

- a. The adjustments represent the combined financial information of the Revised Hada Target Group as at 31 December 2019 as extracted from the accountants' report set out in Appendix III to this circular.
- b. The adjustment represents the capitalization of certain accounts payables of the Revised Hada Target Group due to New Amuse and its associates, as part of the conditions precedent to the Hada Acquisition, immediately prior to the Hada Completion.
- c. The Framework Lease Agreement will be terminated upon the completion of the Hada Acquisition. As a result, adjustments are made to reflect the extinguishment of the pre-existing relationship between the Group and the Revised Hada Target Group under the Framework Lease Agreement. Upon the completion of the Hada Acquisition, the right-of-use assets (the "ROU"), the lease liabilities and the associated deferred tax under the Framework Lease Agreement will be derecognised and, accordingly, the difference between fair value and the carrying amount of such pre-existing relationship as at the completion date will be recognized in profit or loss. For the purpose of the unaudited pro forma financial information, the Directors assume the fair value of the lease agreements in relation to the Revised Hada Target Group, including the ROU and related lease liabilities, to be RMB3,900,000,000, as valued by BMI Appraisal Limited (the "BMI").

	<i>RMB'000</i>
Fair value of pre-existing relationships	3,900,000
Less:	
Derecognition of ROU included in investment properties under the Framework Lease Agreement	(4,255,900)
Derecognition of ROU included in property and equipment under the Framework Lease Agreement	(1,290,673)
Derecognition of lease liabilities under the Framework Lease Agreement	1,081,847
Derecognition of deferred tax recognised under the Framework Lease Agreement	<u>1,094,348</u>
Gains on the settlement of the pre-existing relations	<u><u>529,622</u></u>

- d. The identifiable assets and liabilities of the Revised Hada Target Group to be acquired by the Group will be accounted for in the consolidated financial statements of the Group at fair value under the acquisition accounting in accordance with IFRS 3, Business Combinations.

For the purposes of the unaudited pro forma financial information, the allocation of the purchase price is determined based on the Directors' estimates of the fair value of the identifiable assets and liabilities to be acquired, with reference to the valuation report issued by BMI. In the opinion of the Directors, the fair value of the identifiable assets and liabilities being acquired is subject to changes upon completion of the Hada Acquisition because the fair value of the assets and liabilities being acquired shall be assessed at the acquisition date of the Revised Hada Target Group.

Pro forma adjustments made represent:

	<i>Notes</i>	<i>RMB'000</i>
Consideration:		
Fair value of the Convertible Bond issued	<i>(1)</i>	
— debt component		1,421,175
— equity component		<u>2,578,825</u>
		4,000,000
Settlement of pre-existing relationship	<i>c</i>	<u>3,900,000</u>
		<u>7,900,000</u>
Less net assets acquired:		
Net liabilities of the Revised Hada Target Group as at 31 December 2019		(2,467,988)
Settlement or loan capitalization of trade and other payables	<i>b</i>	2,109,404
Fair value adjustments on investment properties	<i>(2)</i>	6,036,400
Fair value adjustments on property and equipment	<i>(2)</i>	4,481,400
Effect of deferred tax		<u>(2,629,450)</u>
Identifiable assets acquired and liabilities assumed		<u>7,529,766</u>
Goodwill arising from the Hada Acquisition		<u>370,234</u>

- (1) The consideration payable by the Company to New Amuse pursuant to the Hada Acquisition Agreement is RMB4 billion, which shall be satisfied by the issuance of the Convertible Bond of the Company. Detailed terms of Convertible Bond were described in the paragraph headed “Principal Terms of The Convertible Bond” in this Circular.

According to the Group’s accounting policies, the Convertible Bond comprised the following components for accounting purpose: (1) liability component and (2) equity component in relation to the holder’s conversion option.

The fair value of the liability component amounting to RMB1,421,175,000 is estimated by computing the present value of all future cash flows discounted by the effective interest rate. The equity component amounting to RMB2,578,825,000 is initially recognised at the difference between the fair value of the Convertible Bond as a whole and the fair value of the liability component. For the purpose of the unaudited pro forma financial information, the effective interest rate used is 10.904% per annum at 28 April 2020, being the deemed date of issue of Convertible Bond. The effective interest rate was not directly observed from market or calculated using a formula. It was the implied interest rate that equates the value of the Convertible Bond as at the date of issue, which was calculated using binomial tree model, to the principal amount of the Convertible Bond.

Fair values of the liability component and the holder’s conversion option shall be assessed on the actual issue date of Convertible Bond and are therefore subject to change upon completion of the Hada Acquisition.

- (2) The total fair value of land and properties of the Revised Markets upon completion of the Hada Acquisition and termination of Framework Lease Agreement would be RMB11,143,100,000, which have been determined by the Directors with reference to the valuation report issued by BMI.

Investment properties represents the properties owned by the Revised Hada Target Group located in the PRC to earn lease income. The fair value of the properties as investment properties of the Enlarged Group as at 31 December 2019 amounted to RMB6,467,000,000, resulting in a fair value adjustment of RMB6,036,400,000 above the carrying amount of the Revised Hada Target Group of RMB430,600,000.

Certain investment properties of Revised Hada Target Group will be managed and operated by the Group through own occupation rather than held for rental income and capital gain upon the completion of the Hada Acquisition. These properties with carrying amount of RMB194,700,000 as at 31 December 2019 would be classified as property and equipment. The fair value of these property and equipment amounted to RMB4,676,100,000, resulting in a fair value adjustment of RMB4,481,400,000 on property and equipment of the Enlarged Group.

- e. According to the Group's accounting policy, after initial recognition, goodwill will be measured at cost less any accumulated impairment losses. Goodwill is tested for impairment at least annually or whenever events or changes in circumstances indicate its carrying amount may not be recoverable in accordance with the requirements of International Accounting Standards 36 "Impairment of Assets" ("IAS 36"). For the purpose of impairment testing, goodwill will be allocated to the cash generating units ("CGUs") that are expected to benefit from the synergies of the acquisition of the Revised Hada Target Group.

For the purpose of the unaudited pro forma financial information, the Company has ensured the steps taken on the assessment of impairment performed in accordance with IAS 36, which is consistent with the accounting policy of the Company.

Based on internal assessment and with reference to the valuer report, the Directors of the Company do not consider that there was any indication that the goodwill may be impaired, and the Directors of the Company confirm that the Company will adopt consistent accounting policies, valuation method and principal assumptions as used in the pro forma financial information to assess the impairment of the Enlarged Group's goodwill the future financial periods ends.

- f. No adjustment has been made to the pro forma financial information to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2019.

The following is the text of a report prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 29 February 2020 of the market value of the 100% equity interest in Hada Group.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 01-08, 27th Floor, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心27樓2701-2708室
Tel電話：(852) 2593 9678 Fax傳真：(852) 2802 0863
Email電郵：enquiry@bmintelligence.com Website網址：www.bmi-appraisals.com

29 May 2020

The Directors
China Dili Group
Suites 1701-1703
One IFC
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

Re: Valuation of 100% equity interest in Hada Group

1. INSTRUCTIONS

We refer to the instructions from China Dili Group (referred to as the “Company”) for us to provide our independent opinion on the market value of 100% equity interest in the PRC Operating Companies (excluding the Shouguang Operating Company) and the Revised Hada Target Group (collectively referred to as “Hada Group”).

2. DATE OF VALUATION

The date of valuation is 29 February 2020.

3. BASIS OF VALUATION

Our valuation has been carried out on the basis of market value. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

4. BACKGROUND OF THE COMPANY AND HADA GROUP

Background of the Company

The Company is a publicly listed company with limited liability. It was incorporated in Cayman Islands and has been listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1387) since 2008. The Company, through its subsidiaries, is principally engaged in the operation of agriculture produce markets in China.

Background of Hada Group

Hada Group comprises two groups of entities namely the PRC Operating Companies (excluding the Shouguang Operating Company) and the Hada Target Group. The PRC Operating Companies (excluding the Shouguang Operating Company) are principally engaged in the operation of agricultural produce markets across The People's Republic of China (referred to as the "PRC"). The Revised Hada Target Group holds the land and properties in which the markets operated by the PRC Operating Companies (excluding the Shouguang Operating Company) are located. The Company acquired 100% equity interest in the PRC Operating Companies in 2015.

In 2018, the Company and Yield Smart entered into an agreement with New Amuse to acquire the 100% equity interest in the Original Hada Target Group and in April 2020 the Original Hada Target Group was revised to the Revised Hada Target Group.

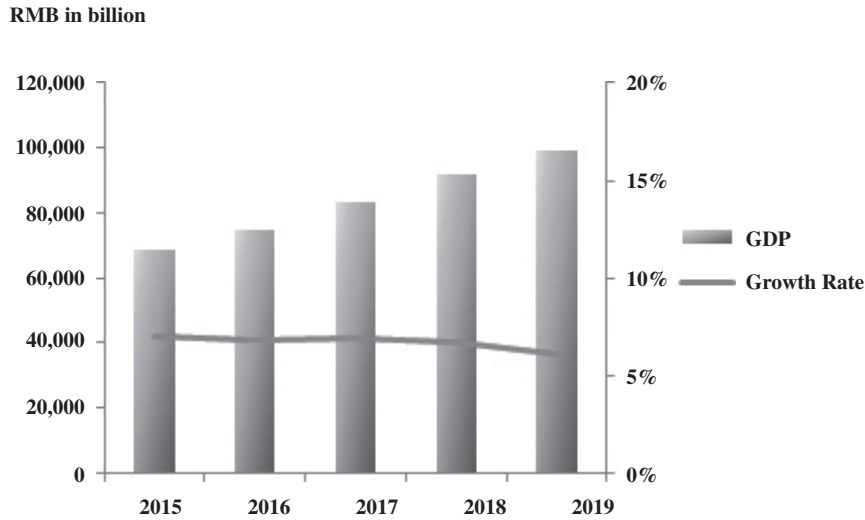
Unless otherwise defined, capitalized terms used herein shall have the same meaning as those defined in this circular.

5. INDUSTRY OVERVIEW

The PRC Economy

The national economy of the PRC maintained stable growth in 2019. As illustrated in Figure 1 below, the gross domestic product (GDP) of the year was RMB99,086.5 billion, up by 6.1% over the previous year. Of this total, the value added of the primary industry was RMB7,046.7 billion, up by 3.1% year-over-year (YoY), that of the secondary industry was RMB38,616.5 billion, up by 5.7% YoY and that of the tertiary industry was RMB53,423 billion, up by 6.9% YoY. The value added of the primary industry accounted for 7.1% of the GDP, that of the secondary industry accounted for 39.0%, and that of the tertiary industry accounted for 53.9%.

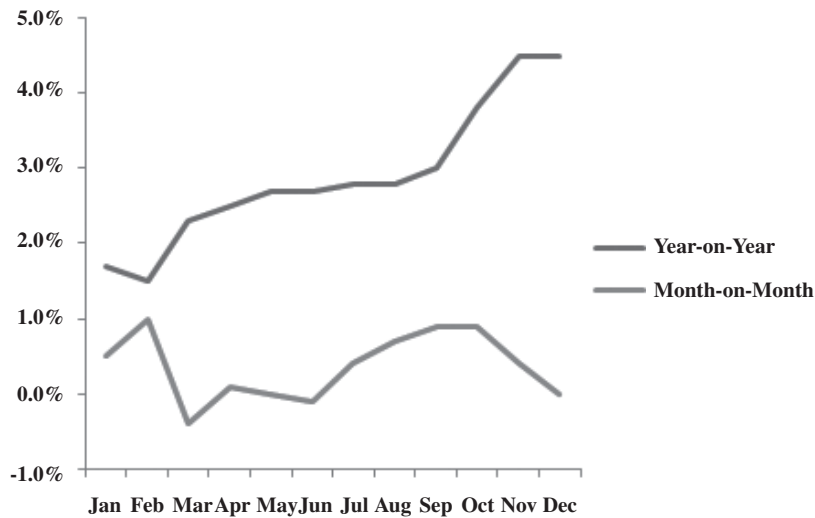
Figure 1: Gross Domestic Product in the PRC, 2015–2019



Source: National Bureau Statistics of China

The consumer prices increased slightly. According to Figure 2 below, the consumer prices in 2019 went up by 2.9% over the previous year. Of this total, the prices for food tobacco and liquor increased by 1.9%. The prices for investment in fixed assets increased by 2.6%. The producer prices and the purchasing prices for manufactured goods went down by 0.3% and 0.7% respectively. The producer prices for farm products increased by 14.5%.

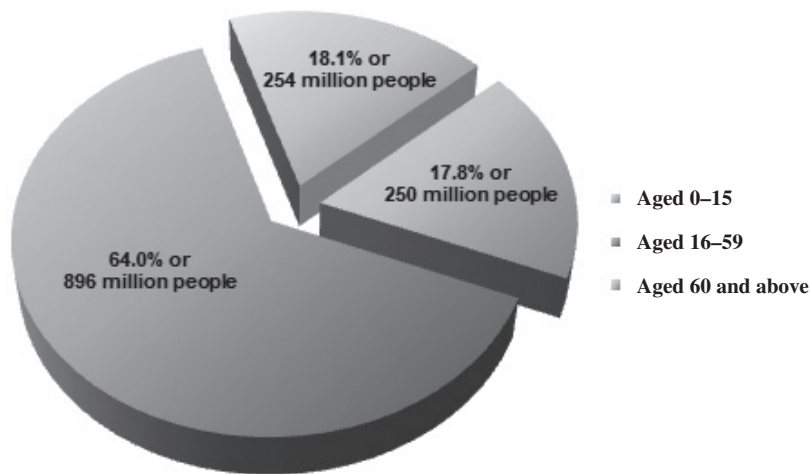
Figure 2: Monthly Changes in Consumer Prices, 2019



Source: National Bureau Statistics of China

According to Figure 3, the total number of the PRC’s population of the mainland reached 1,400.05 million by the end of 2019, an increase of 4.67 million from the end of 2018. The number of urban permanent residents has increased by 1.02% to 848.43 million, accounting for 60.60% of the total population. In 2019, 14.65 million of births have recorded with a crude birth rate of 10.48 per thousand, and 9.98 million of deaths with a crude death rate of 7.14 per thousand. The natural growth rate was 3.341 per thousand. The number of population who lived in places other than their household registration area reached 280 million, of which 236 million were floating population.

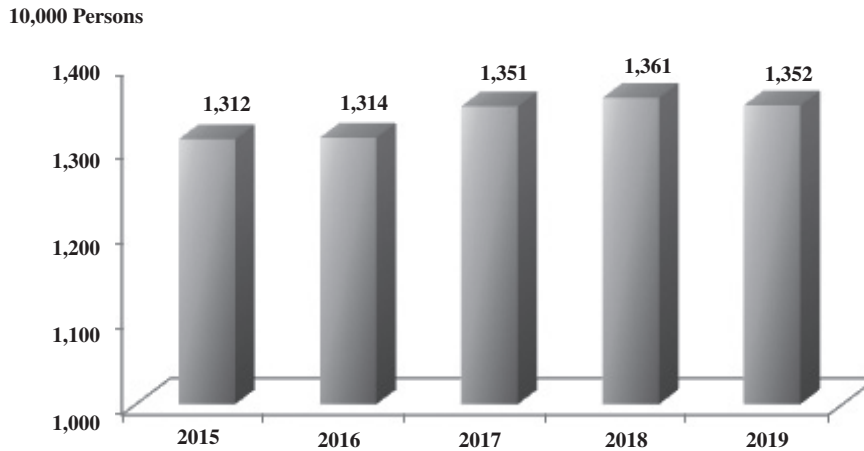
Figure 3: Population Age Composition, 2019



Source: National Bureau Statistics of China

At the end of 2019, the number of employed people in the PRC was 774.71 million, and that in urban areas was 442.47 million. As illustrated in Figure 4 below, the number of newly increased employed persons in urban areas was 13.52 million in 2019. The registered urban unemployment rate was 5.2% at the end of the year. The total number of migrant workers in 2019 was 290.77 million, an increase of 0.8% from 2018. Of which, the migrant workers who left hometown and worked in other places were 174.25 million, increased by 0.9%, and those who worked in their own localities reached 116.52 million or raised by 0.7%.

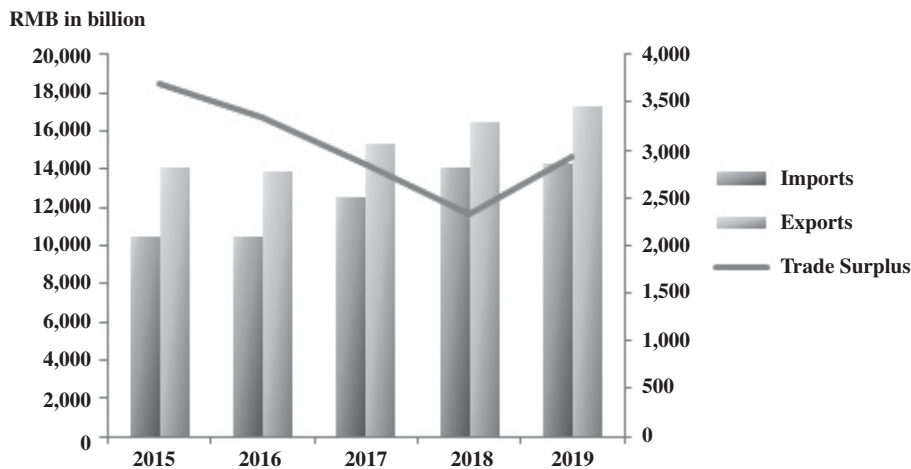
Figure 4: Newly Increased Employed Persons in Urban Areas, 2015–2019



Source: National Bureau Statistics of China

As illustrated in Figure 5 below, the total value of imports and exports of goods in 2019 reached RMB31,550.5 billion, increased by 3.4 % of the previous year. The value of goods exported was RMB17,234.2 billion or went up by 5.0% and the value of goods imported was RMB14,316.2 billion or up by 1.6%. The net exports (exports minus imports) was RMB2,918.0 billion, up by RMB593.2 billion over the previous year.

Figure 5: Imports and Exports of Goods, 2015–2019



Source: National Bureau Statistics of China

Agricultural Produce Market in the PRC

Although the growth of the PRC's economy slowed down in recent years from over 8% per year to around 6.1% per year, the agricultural produce market kept stable growth as a result of the country's expanding consumption policy and the increasing household income.

Since the PRC started the Reforming and Opening-up policy, the high-speed marketization on the agricultural field of its economy has been encouraged and supported by the government in the past four decades. The farmers have been allowed to lease the land from the country and sell their products to the market freely under Deng Xiaoping's new economic policy instead of being forced to sell to the state-owned enterprise before 80's.

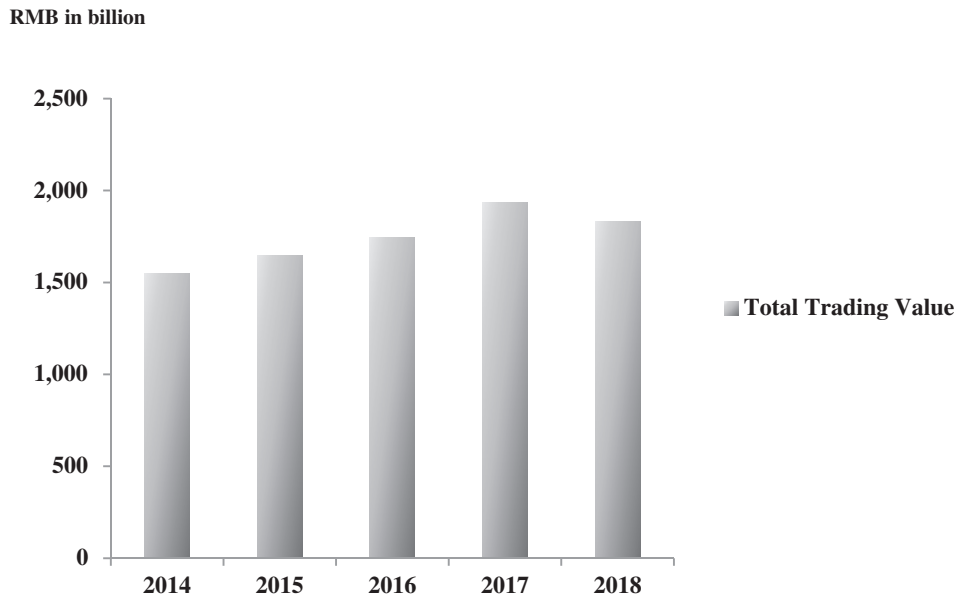
The effect of the new economic policy on the agricultural field was tremendous. After 1978, the first year of the Reforming and Opening-up policy, the annual production of major agricultural produces kept, during the past 40 years, steady and robust growth.

On the other hand, the rapid development in the manufacturing industry and cities in the PRC has encouraged the former farmers to leave the countries and became the immigrant workers. The immigrant workers phenomenon left the great workforce gap in countries and agriculture. At the same time, the increasing household income and the demand of food consumption in the general population simulated the prosperity in the agricultural produce market.

The declining percentage of the agriculture produce in the PRC's economy and increasing demand on the agricultural produce have unexpectedly transformed the PRC from a global agricultural produce exporter to a global agricultural produce importer. According to the statistics from Chinese Ministry of Agriculture, the value of the PRC's cross border trading of agricultural produce reached RMB1,504 billion in 2018, of which import amounted to RMB948 billion and export amounted to RMB555 billion.

Compared to the stagnation in agriculture production, the trading and distribution of agricultural produce kept growing stably in recent years. According to the statistics from the National Bureau Statistics of China, the total trading value of the agricultural produce market increased from RMB1,551 billion in 2014 to RMB1,935 billion in 2017, at a 4-year compounded growth rate of 5.7%. After reaching a peak in 2017, the trading value decreased to RMB1,833 billion in 2018.

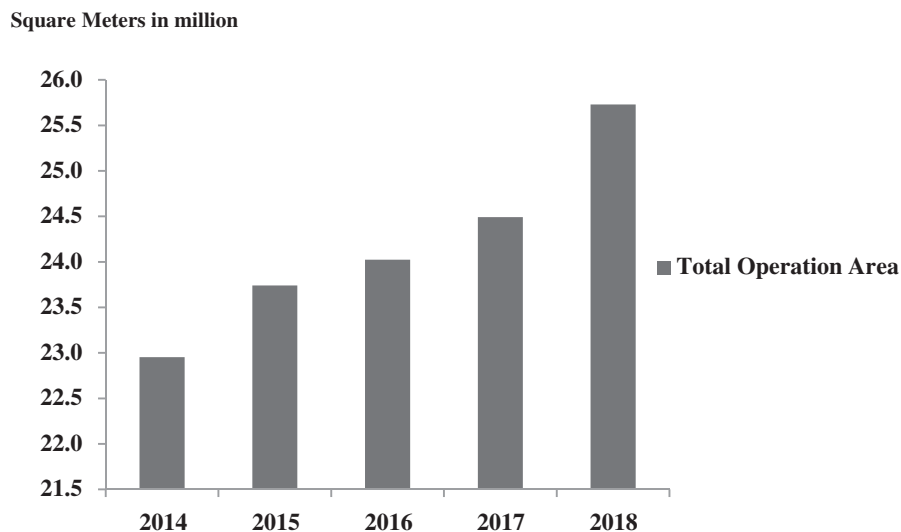
Figure 6: Total Trading Value of Agricultural Produce Market, 2014–2018



Source: National Bureau Statistics of China

Promoted by the growth in the trading value of the agricultural produce market, the total operation area of the agricultural produce market increased from 22.95 million square meters in 2014 to 25.73 million square meters in 2018, at 5-year compounded growth rate of 2.3%.

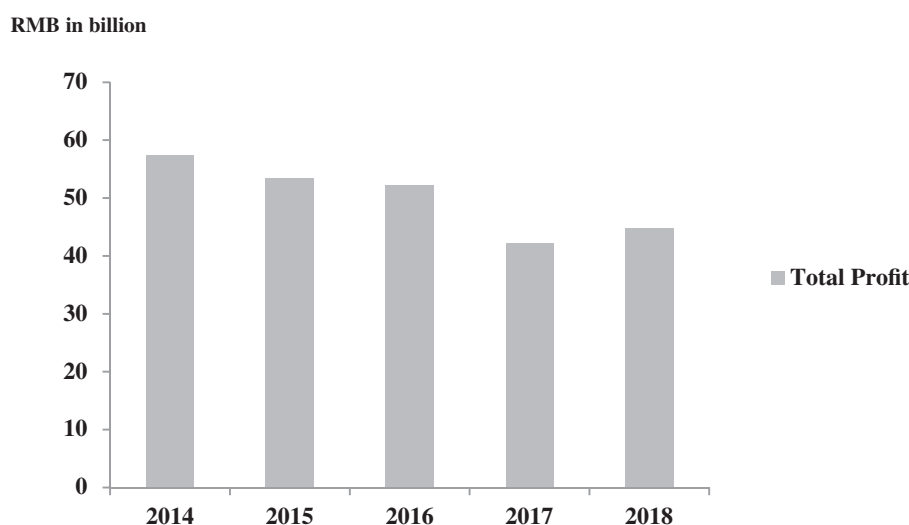
Figure 7: Total Operation Area of Agricultural Produce Market, 2014–2018



Source: National Bureau Statistics of China

Despite the market grew stably in the past few years, the total profit of the wholesale agricultural produce market decreased from RMB57.39 billion in 2014 to RMB42.21 billion in 2017. The total profit returned to RMB 44.78 billion in 2018.

Figure 8: Total Profit of Wholesale Agricultural Produce Market, 2014–2018



Source: National Bureau Statistics of China

6. SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with the financial and operational information in respect of Hada Group provided by the senior management of the Company.

We have no reason to doubt the truth and accuracy of the information provided to us, and we have been confirmed by the senior management of the Company that no material facts have been omitted from the information provided to us.

Apart from the information provided by the senior management of the Company, we have also obtained market data, industrial information and statistical figures from publicly available sources.

7. SCOPE OF WORKS

The following processes have been conducted by us during the course of our valuation:

- Obtained relevant financial and operational information in respect of Hada Group from the senior management of the Company;
- Examined the basis and assumptions of the financial and operational information in respect of Hada Group provided by the senior management of the Company;

- Conducted research to obtain sufficient market data, industry information and statistical figures from Hada Group and other publicly available sources; and
- Prepared the valuation and this report in accordance with generally accepted valuation procedures and practices of international valuation standards.

8. VALUATION ASSUMPTIONS

Due to the changing economic and market conditions, a number of assumptions have to be adopted in our valuation. The major assumptions adopted in our valuation are as follows:

General Market Assumptions

- There will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where Hada Group is currently or will be situated;
- There will be no material change in the taxation laws and regulations in the jurisdiction where Hada Group is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;
- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- The supply and demand, both domestically and internationally, of the products and/or services of Hada Group or similar products and/or services will not differ materially from those of present or expected;
- The market prices and the relevant costs, both domestically and internationally, of the products and/or services of Hada Group or similar products and/or services will not differ materially from those of present or expected;
- The products and/or services of Hada Group or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of Hada Group or similar products and/or services; and
- The market data, industrial information and statistical figures obtained from publicly available sources are true and accurate.

Company-specific Assumptions

- All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of Hada Group have been obtained or can be obtained upon request with an immaterial cost;
- The core operations of Hada Group will not differ materially from those of present or expected;

- The financial and operational information in respect of Hada Group have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;
- Hada Group currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of Hada Group, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of Hada Group;
- Hada Group has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;
- The senior management of Hada Group will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of Hada Group;
- The senior management of Hada Group has sufficient knowledge and experience in respect of the operation of Hada Group, and the turnover of any director, management or key person will not affect the operation of Hada Group;
- The senior management of Hada Group has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of Hada Group;
- The senior management of Hada Group has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of Hada Group; and
- The Pre-Settlement Items referred in the Hada Acquisition Agreement will be settled before the completion of the Hada Acquisition.

9. VALUATION APPROACH

General Valuation Approaches

The following generally accepted valuation approaches have been considered in the course of our valuation: (1) the income approach; (2) the market approach; and (3) the cost approach.

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The discounted cash flow (DCF) method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows of the subject asset in future years were determined from the net income after tax plus non-cash expenses, such as depreciation and amortization expenses, and after-tax interest expense; the result was then less non-cash incomes, investment in capital expenditure and investment in net working capital.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The sales comparison method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing the same or a substitute asset with equal utility as the subject asset.

Under the cost approach, the historical cost method measures the cost incurred throughout the development of the subject asset at the time it was developed. The replication cost method measures the amount of investment that would be required to develop an asset similar to the subject asset. The replacement cost method measures the amount of investment that would be required to develop the subject asset as it currently exists.

Selected Valuation Approach

The selection of a valuation approach is based on, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise.

The income approach heavily relies on subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections are also needed to arrive at an indication of value.

The cost approach does not directly incorporate information about the economic benefits contributed by the subject asset.

Therefore, the market approach was considered to be the most appropriate valuation approach in the valuation, as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

10. VALUATION METHODOLOGY

Under the market approach, guideline company method was adopted in the valuation. The guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset, with adjustments of control premium and discount for lack of marketability if applicable. In applying the guideline company method, price multiples for publicly listed companies that are considered to be comparable to Hada Group were calculated. The price multiples are ratios that relate business value to some measure of the company's financial performance.

11. VALUATION PARAMETERS

Comparable Companies

For the purpose of our valuation, we referred to the information in respect of publicly listed companies that are considered to be comparable to Hada Group (referred to as the "Comparable Companies").

Selection Criteria of the Comparable Companies

The selection of the Comparable Companies was based on the comparability of the overall industry sector and geographical location. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

Regarding the industry sector and geographical location of Hada Group, the availability of the financial information in calculating the price multiples adopted in the valuation and the revenue scales of Hada Group, the following criteria were considered as reasonable to select the Comparable Companies.

The selection criteria of the Comparable Companies are as follows:

- The principal activities of the Comparable Companies are located in the PRC according to the latest available financial statements;
- As at the valuation date, the Comparable Companies are principally engaged in the distribution of agricultural produce or related business;

- The Comparable Companies have positive enterprise value and normalized earnings for the trailing 12 months as stated in the latest available financial statements. The normalized earnings are the earnings with exclusion of non-recurring and extraordinary items, such as gain or loss on disposal of operating assets;
- Shares of the Comparable Companies are trading as at the date of valuation; and
- Detailed financial information in respect of the Comparable Companies is available at publicly available sources.

Selected Comparable Companies

Given the abovementioned selection criteria, the Comparable Companies were considered to be fair and representative samples. Details of the Comparable Companies are as follows:

Comparable Company 1

Name of Company : Zhongbai Holdings Group Company Limited

Stock Code : 000759 CH

Stock Exchange : Shenzhen

Company Description : Zhongbai Holdings Group Company Limited owns and operates several department stores and supermarkets. Through its subsidiaries, it also operates in pharmaceuticals manufacturing, real estate development and property management.

Comparable Company 2

Name of Company : Sanjiang Shopping Club Company Limited

Stock Code : 601116 CH

Stock Exchange : Shanghai

Company Description : Sanjiang Shopping Club Company Limited operates community budget supermarket franchises. It provides customers with retail services.

Comparable Company 3

Name of Company : Chengdu Hongqi Chain Company Limited
Stock Code : 002697 CH
Stock Exchange : Shenzhen
Company Description : Chengdu Hongqi Chain Company Limited operates convenience stores chain. Its main products are food, alcoholic drinks, tobacco and other daily necessities.

Comparable Company 4

Name of Company : Yonghui Superstores Company Limited
Stock Code : 601933 CH
Stock Exchange : Shanghai
Company Description : Yonghui Superstores Company Limited operates supermarket franchises. It mainly operates hypermarkets, marketplace and supermarkets.

Comparable Company 5

Name of Company : Beijing Jingkelong Company Limited
Stock Code : 814 HK
Stock Exchange : Hong Kong
Company Description : Beijing Jingkelong Company Limited wholesales and distributes food products. It provides prepackaged foods, bulk foods, health foods and other products. It also provides books, periodicals, audiovisual products, newspapers and other products.

Comparable Company 6

Name of Company : Sun Art Retail Group Limited
Stock Code : 6808 HK
Stock Exchange : Hong Kong
Company Description : Sun Art Retail Group Limited operates hypermarkets. It retails food and offers amenities such as restaurants, automated teller machines, pharmacies and dry cleaners.

Comparable Company 7

Name of Company	: Shenzhen Agricultural Products Company Limited
Stock Code	: 000061 CH
Stock Exchange	: Shenzhen
Company Description	: Shenzhen Agricultural Products Company Limited operates wholesale markets. It provides and distributes agricultural products, foods, fruits and other products. It also operates market supporting, agricultural product processing and other businesses.

Apart from the Comparable Companies selected, we were not aware of any other listed company that fulfills the selection criteria, and we considered that the selected Comparable Companies are exhaustive.

Price Multiples

In the course of our valuation, we have considered various price multiples including the enterprise value (EV)-to-earnings before interest, taxes, depreciation and amortization (EBITDA) (EV/EBITDA) multiple, enterprise value (EV)-to-earnings before interest and taxes (EBIT) (EV/EBIT) multiple, price-to-earnings (P/E) multiple, price-to-sales (P/S) multiple and the price-to-book (P/B) multiple.

The EV/EBIT multiple is susceptible to differences in depreciation and amortization policy. The P/E multiple does not capture differences in financial leverage and related risk features across the companies. The P/S multiple does not capture differences in cost structure across companies. The P/B multiple does not reflect the value of intangible economic assets such as human capital, and inflation and technological change can cause the book values and market values of assets to differ significantly.

Therefore, EV/EBITDA multiple is considered more appropriate since it excludes depreciation and amortization and includes the short-term and long-term debts in calculation.

For our valuation, we have adopted the EV/EBITDA multiple in assessing the value of Hada Group.

APPENDIX V BUSINESS VALUATION OF THE REVISED HADA TARGET GROUP
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EV is calculated using the following formula:

$$EV = \text{Market Cap} + PE + MI + ST Debt + LT Debt - \text{Cash}$$

Where:

<i>EV</i>	=	enterprise value
<i>Market Cap</i>	=	market capitalization
<i>PE</i>	=	preferred equity
<i>MI</i>	=	minority interest
<i>ST Debt</i>	=	short-term debt
<i>LT Debt</i>	=	long-term debt
<i>Cash</i>	=	cash and cash equivalents

The EV/EBITDA multiples of the Comparable Companies are as follows:

Stock Code	Company Name	EV/EBITDA Multiple
000759 CH	Zhongbai Holdings Group Company Limited	9.43
601116 CH	Sanjiang Shopping Club Company Limited	20.54
002697 CH	Chengdu Hongqi Chain Company Limited	21.37
601933 CH	Yonghui Superstores Company Limited	51.11*
814 HK	Beijing Jingkelong Company Limited	8.54
6808 HK	Sun Art Retail Group Limited	10.55
000061 CH	Shenzhen Agricultural Products Company Limited	30.15
* <i>Exclude extreme value as outlier</i>		Median: 15.55

The median of the EV/EBITDA multiples of the Comparable Companies of 15.55 was then multiplied by the respective EBITDA as derived from the combined audited financials of Hada Group for the period from 1 January 2019 to 1 December 2019.

The EV/EBITDA of the Company (i.e. China Dili Group) was 23.26 as at 29 February 2020, which was higher than the median (15.55) of the Comparable Companies.

The EBITDA, EV and Equity Value

The basis of determining the EBITDA was consistently applied to the Comparable Companies and Hada Group with exclusion of non-recurring and extraordinary items.

The calculated EBITDA and EV of Hada Group were as follows:

	Hada Group <i>(RMB'000)</i>
EBITDA	773,910
EV/EBITDA multiple	15.55x
EV*	12,034,301

* $EV = EBITDA \times EV/EBITDA \text{ multiple}$

The calculated EV of Hada Group was then adjusted by subtracting the total debt, preferred equity and minority interest and adding back the cash and the cash equivalents.

The detailed adjustments to EV were as follows:

	Hada Group <i>(RMB'000)</i>
Less: Total debt	2,497,000
Add: Cash & cash equivalent	1,577,415
Total adjustments	(919,585)

Total debt of Hada Group was calculated by adding the total debt of the PRC Operating Companies of Nil and that of the Hada Target Group of RMB2,497,000,000.

Cash & cash equivalent of Hada Group was calculated by adding the cash and cash equivalent of the PRC Operating Companies of RMB172,586,000 and that of the Hada Target Group of RMB1,404,829,000.

The calculated equity interest of Hada Group was as follows:

	Hada Group <i>(RMB'000)</i>
Equity Value of marketable and non-controlling interest	11,114,716

The resulting equity value of marketable and non-controlling interest of Hada Group was then further adjusted by the discount for lack of marketability and the control premium to derive our conclusion of valuation.

Discount for Lack of Marketability (DLOM)

The discount for lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell.

DLOM reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As Hada Group is unlikely to undergo public offering and shares of Hada Group are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in the near future, the ownership interest in Hada Group is not readily marketable. However, the EV/EBITDA multiples adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; value calculated using such EV/EBITDA multiples, therefore, represents the marketable interest. Thus, DLOM was adopted to adjust such marketable interest value to non-marketable interest value.

According to the Stout Restricted Stock Study, published by Business Valuation Resources, LLC in 2019, DLOM is estimated as the percentage difference between the private placement price per share and the market trading price per share. 759 relevant private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through February 2020 have been examined in the Stout Restricted Stock Study. Premium in the market for restricted stock, which is considered as the result of an investment opportunity not available to other investors or an unidentifiable relationship with the seller has been excluded.

The Stout Restricted Stock Study analyzes the transaction database and provides mean and median discount rates. Since the median rate is not affected by abnormal extreme high and low values, we adopted the median discount rate of 15.80% calculated from the 759 transactions in the Stout Restricted Stock Study as DLOM for the valuation.

The comparison of discount for lack of marketability between previous valuation (at the time of the Original Acquisition) and the current valuation was as follows:

	28 February 2018	29 February 2020
Discount for lack of marketability	15.9% (median)	15.8% (median)
— Source of reference	Stout Restricted Stock Study	Stout Restricted Stock Study
— Date range	July 1980 – February 2018	July 1980 – February 2020

In determining the discount for lack of marketability between the two valuations, there was no change in methodology.

Control Premium

Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The EV/EBITDA multiples adopted in the valuation was calculated from public listed companies, which represent minority ownership interest. Thus, control premium was adopted to adjust such minority interest value to controlling interest value.

According to the Mergerstat Control Premium Study published by FactSet Mergerstat, LLC., control premium is expressed as a percentage of the unaffected marketable minority price per share. Completed transactions whereby 50.01% or more of a company was acquired and where target companies were publicly traded have been examined in the Mergerstat Control Premium Study.

The Mergerstat Control Premium Study is a comprehensive and updated research on control premium with empirical support done by FactSet Mergerstat, LLC., which is an independent information provider of merger and acquisition information. We are not aware of any other widely accepted control premium study with equivalent quality in terms of size of database and timeliness. Therefore, we adopted the Mergerstat Control Premium Study as the reference for control premium.

According to the Mergerstat Control Premium Study, the mean and median premiums were gathered from recent merger and acquisition transactions during the year of 2019, which includes the most updated market data. Since the median rate is not affected by abnormal extreme high and low values, the control premium in the valuation was determined with reference to the median premium of 23.50%.

The comparison of control premium between previous valuation (at the time of the Original Acquisition) and the current valuation was as follows:

	28 February 2018	29 February 2020
Control premium	26.8% (median)	23.5% (median)
— Source of reference	Mergerstat Control Premium Study	Mergerstat Control Premium Study
— Date range	January 2017 – December 2017	January 2019 – December 2019

In determining the control premium between the two valuations, there was no change in methodology.

With consideration of the discount for lack of marketability and the control premium, the value of Hada Group was calculated as follows:

$$\begin{aligned} & \text{Value of Non-marketable and Controlling Interest} \\ &= \text{Value of Marketable and Non-controlling Interest} \times \\ & \quad (1 - \text{DLOM}) \times (1 + \text{Control Premium}) \end{aligned}$$

Adopted Parameters of Valuation

The value of 100% equity interest in Hada Group calculated using EV/EBITDA multiple was as follows:

	Value before adjusting the DLOM and the control premium (RMB'000)	Value after adjusting the DLOM and the control premium (RMB'000)
Hada Group	11,100,000	11,600,000

After adjusting the discount for lack of marketability and the control premium, our concluded value of 100% equity interest in Hada Group under the EV/EBITDA multiple was RMB11,600,000,000.

12. REMARKS

For the purpose of our valuation, we have been furnished with information provided by the senior management of the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made or liability assumed for the accuracy of any data, opinions or valuations identified as being furnished by others, which have been used in formulating our analysis.

Unless otherwise stated, all money amounts stated herein are in Renminbi(RMB).

13. STATEMENT OF INDEPENDENCE

We hereby certify that we have neither present nor prospective interest in the Company, Hada Group or the result reported. In addition, our directors are neither directors nor officers of the Company or Hada Group.

In the course of our valuation, we are acting independently of all parties. Our fees are agreed on a lump-sum basis and are not correlated with the result of our valuation.

14. CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to uncertainties and contingencies that are beyond the control of the Company and Hada Group or us.

Based on our analysis outlined in this report, it is our independent opinion that the market value of 100% equity interest in Hada Group (i.e. Hada Group) as at 29 February 2020 was **RMB11,600,000,000 (RENMINBI ELEVEN BILLION AND SIX HUNDRED MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interest in the Company, Hada Group or the result reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng

*BSc(Bldg), MUD, MBA(Finance), MSc. (Eng), PhD(Econ),
FSOE, FIPlantE, CEnv, FIPA, FAIA, FRSM, CPA UK, SIFM, FCMA,
FRSS, MCI Arb, MASCE, MHKIE, MIEEE, MASME, MIIE, MASM, MIET*
Managing Director

Note:

Dr. Tony C. H. Cheng has various engineering and accounting & finance qualifications. He is a Fellow member of Royal Statistical Society, Fellow member of the Society of Operations Engineers, and the Institution of Plant Engineers, and a member of the Hong Kong Institution of Engineers and the American Society of Mechanical Engineers.

Besides, Dr. Cheng is a Fellow member of Association of International Accountants, Fellow member of the Institute of Public Accountants, and the Institute of Financial Accountants. He is also a Fellow member and Committee member of the Certified Management Accountants Australia. He has extensive experience in valuing similar assets in different industries in Hong Kong and China.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 29 February 2020 of the real property interests located in the People's Republic of China.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 01-08, 27th Floor, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心27樓2701-2708室
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29 May 2020

China Dili Group

Suites 1701-1703, 17th Floor
One IFC
No. 1 Harbour View Street
Central
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from China Dili Group (the “Company”) for us to value the real properties located in the People’s Republic of China (the “PRC”) in which United Progress Group Limited and/or its subsidiaries (together referred to as the “Revised Hada Target Group”) have interests. We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the real property interests as at 29 February 2020 (the “valuation date”).

BASIS OF VALUATION

Our valuations of the real property interests have been based on the Market Value, which is defined by The Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. The Market Value is also understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

In valuing the real property interests, we have adopted the Investment Approach by capitalising the net rents of the real property interests of which Revised Hada Target Group is entitled to receive for the residual term of the lease of the real property interests. Where appropriate, we have adopted the Comparison Approach assuming sale in their existing states with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market.

The real property interests held by Revised Hada Target Group together with another real property interest (Shouguang Market) are leased to Yield Smart Limited, a wholly-owned subsidiary of the Company, from New Amuse Limited, a connected party of the Company, for a term of 20 years, with an option to renew for a further term, at an annual rent of RMB105 million (exclusive of operating charges and other outgoings) as at the valuation date. In our valuations, we were instructed by the Company to assume that such lease had been terminated as at the valuation date.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Company that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Company's PRC legal advisor — Jingtian & Gongcheng Attorneys at Law (北京市競天公誠律師事務所) regarding the title of the real properties and the interests of Revised Hada Target Group in these real properties. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the real property interests are sold in the market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the real property interests. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the real property interests and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

We have relied on Revised Hada Target Group and the Company's confirmation that there have been no material changes to the physical attributes and the use of such real properties or the nature of interest being valued or the nature of their locations, since the last inspections conducted in March and April 2018. Thus, no re-inspections of such real properties were conducted.

APPENDIX VI PROPERTY VALUATION OF THE REVISED HADA TARGET GROUP

In the course of our valuations, we have relied to a considerable extent on the information given by Revised Hada Target Group and the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the real properties and any other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the real properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Except otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by Revised Hada Target Group and the Company and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the real properties or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the real property interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and the International Valuation Standards (IVS) published by The International Valuation Standards Council.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for any exchange transfers.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Joannau W. F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Man C.M. Lam
BCom, MHKIS, MRICS, RPS(GP), AAPI, CPV
Director

Notes:

Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 27 years' experience in valuations of properties in Hong Kong and over 21 years' experience in valuations of real properties in the People's Republic of China.

Mr. Man C.M. Lam is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 15 years' experience in valuations of properties in Hong Kong and over 14 years' experience in valuations of real properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Real Property	Market Value in existing state as at 29 February 2020 RMB
Real property interests held by Revised Hada Target Group for investment in the PRC		
1.	3 land parcels, 5 buildings and various structures located at the junction of Youyi Road and Yimian Street, Daoli District, Harbin City, Heilongjiang Province, the PRC	192,200,000
2.	A land parcel, 33 buildings and various structures located at No. 277–279 Xuefu Road, Nangang District, Harbin City, Heilongjiang Province, the PRC	2,722,600,000
3.	A land parcel, 12 buildings and various structures located at Yun’ao Village and Shibao Er Village, Shibao Town, Huaxi District, Guiyang City, Guizhou Province, the PRC	853,600,000
4.	3 land parcels, 20 buildings and various structures located at No. 157 Minhang Road, Longsha District, Qiqihar City, Heilongjiang Province, the PRC	254,300,000
5.	A land parcel, various buildings and structures located at the western side of Xinxing Road, Yangming District, Mudanjiang City, Heilongjiang Province, The PRC	348,400,000

APPENDIX VI PROPERTY VALUATION OF THE REVISED HADA TARGET GROUP
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No.	Real Property	Market Value in existing state as at 29 February 2020 RMB
6.	6 land parcels, 17 buildings, a basement carpark and various structures located at the northern side of Dongmao Road North, Dadong District, Shenyang City, Liaoning Province, the PRC	1,467,000,000
	Total:	<hr/> <u><u>5,838,100,000</u></u>

VALUATION CERTIFICATE

Real property interests held by Revised Hada Target Group for investment in the PRC

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 29 February 2020 RMB
1.	3 land parcels, 5 buildings and various structures located at the junction of Youyi Road and Yimian Street, Daoli District, Harbin City, Heilongjiang Province, the PRC	<p>The real property comprises 3 land parcels with a total site area of approximately 3,211.4 sq.m. together with 5 buildings and various structures completed in various stages between 2005 and 2007 erected thereon.</p> <p>The total gross floor area (“GFA”) of the buildings of the real property is approximately 13,655.9 sq.m.</p> <p>The land use rights of the real property have been granted for various terms with the latest expiry date on 28 June 2057 for storage and commercial uses.</p>	The real property was occupied as agricultural produce market as at the valuation date.	192,200,000

Notes:

1. The real property is located at Daoli District of Harbin City which is about 35 km from the airport in Harbin City. The immediate locality is a composite commercial/residential area.
2. Pursuant to 3 State-owned Land Use Rights Certificates (國有土地使用證), Ha Guo Yong (2008) Di Nos. 43 and 44, Ha Guo Yong (2010) 02000414, the land use rights of the real property with a total site area of approximately 3,211.4 sq.m. have been granted to Harbin Youyi Warehouse Co., Ltd. (哈爾濱友誼倉儲有限責任公司) (“Harbin Youyi”) for various terms with the latest expiry date on 28 June 2057 for storage and commercial uses.
3. Pursuant to 3 Building Ownership Certificates (房屋所有權證), Ha Fang Quan Zheng Li Zi Di Nos. 0701050626, 0801000671 and 0901017881, the building ownership rights of 3 buildings of the real property with a total GFA of approximately 12,868.9 sq.m. are legally owned by Harbin Youyi.
4. In the valuation of the real property, we have attributed no commercial value to 2 remaining buildings with a total GFA of approximately 787 sq.m. as relevant title certificates of such remaining buildings have not been obtained.
5. In the course of our valuation, we have made reference to various rental information of the real property/similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB45 to RMB250 per sq.m.
6. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:
 - a. The land use rights and building ownership rights of the real property (except the buildings stated in Note 4) are legally vested in Harbin Youyi;

APPENDIX VI PROPERTY VALUATION OF THE REVISED HADA TARGET GROUP

- b. Harbin Youyi is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the remaining buildings stated in Note 4 and the restriction in relation to the lease in effect) freely in the market;
 - c. As advised by Harbin Youyi, the application for the title certificates for the buildings stated in Note 4 is being processed; and
 - d. For the 2 remaining buildings without title certificates, Harbin Youyi may be subject to a risk of fine and the remaining buildings may be ordered to demolish. Based on the confirmation from the competent government authorities, there exist no material impediments to obtain such title certificates.
7. Harbin Youyi is a wholly-owned subsidiary of Revised Hada Target Group.

APPENDIX VI PROPERTY VALUATION OF THE REVISED HADA TARGET GROUP

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 29 February 2020 RMB
2.	A land parcel, 33 buildings and various structures located at Nos. 277–279 Xuefu Road, Nangang District, Harbin City, Heilongjiang Province, the PRC	<p>The real property comprises a land parcel with a site area of approximately 128,914 sq.m. together with 33 buildings and structures completed in various stages between 2003 and 2014 erected thereon.</p> <p>The total gross floor area (“GFA”) of the buildings of the real property is approximately 217,573.61 sq.m.</p> <p>The land use rights of the real property have been granted for a term expiring on 7 November 2040 for commercial and service uses.</p>	The real property was occupied as agricultural produce market as at the valuation date.	2,722,600,000

Notes:

1. The real property is located at Nangang District of Harbin City which is about 40 km from the airport in Harbin City. The immediate locality is a composite commercial/residential area.
2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Ha Guo Yong (2008) Di No. 32754, the land use rights of the real property with a site area of approximately 128,914 sq.m. have been granted to Harbin Hada Agricultural and Side Products Joint Stock Company Limited (哈爾濱哈達農副產品股份有限公司) (“Harbin Hada”) for a term expiring on 7 November 2040 for commercial and service uses.
3. Pursuant to 29 Building Ownership Certificates (房屋所有權證), 29 buildings of the real property with a total GFA of approximately 211,382.86 sq.m. are legally owned by Harbin Hada.
4. In the valuation of the real property, we have attributed no commercial value to 4 remaining buildings with a total GFA of approximately 6,190.75 sq.m. as relevant title certificates of such remaining buildings have not been obtained.
5. The real property is subject to 3 mortgages in favour of Anhui Guoyuan Trust Co., Ltd (安徽國元信託有限公司) at a total loan amount of RMB1,200,000,000 for a common term expiring on 20 December 2028. The Company has been informed by the Vendor that the mortgages will be discharged prior to the Hada Completion.
6. In the course of our valuation, we have made reference to various rental information of the real property/similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB30 to RMB250 per sq.m.

APPENDIX VI PROPERTY VALUATION OF THE REVISED HADA TARGET GROUP

7. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:
 - a. The land use rights and building ownership rights of the real property (except the remaining buildings stated in Note 4) are legally vested in Harbin Hada;
 - b. Harbin Hada is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the remaining buildings stated in Note 4, restriction in relation to the mortgage stated in Note 5 and the restriction in relation to the lease in effect) freely in the market;
 - c. As advised by Harbin Hada, the application for the Construction Land Use Planning Permit and Construction Works Planning Permit for portions of the remaining buildings stated in Note 4 with a total GFA of approximately 249.31 sq.m. is being processed; and
 - d. For the 4 buildings without title certificates, Harbin Hada may be subject to a risk of fine and the remaining buildings may be ordered to be demolished. Based on the confirmation from the competent government authorities, Harbin Hada is entitled to continue its occupation and usage in such buildings as long as there are no objection raised by third party nor public interest being infringed. As at the Latest Practicable Date, Harbin Hada has not received any objection or public notice, is not aware of any possible circumstances that may result in any objection or public notice to affect its continuing occupation and usage in such buildings.
8. Harbin Hada is a wholly-owned subsidiary of Revised Hada Target Group.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 29 February 2020 RMB
3.	A land parcel, 12 buildings and various structures located at Yun'ao Village and Shibao Er Village, Shibao Town, Huaxi District, Guiyang City, Guizhou Province, the PRC	<p>The real property comprises a land parcel with a site area of approximately 171,844.13 sq.m. together with 12 buildings and various structures completed in various stages between 2012 and 2017 erected thereon.</p> <p>The total gross floor area ("GFA") of the buildings of the real property is approximately 187,080.71 sq.m.</p> <p>The land use rights of the real property have been granted for a term expiring in August 2052 for market uses.</p>	The real property was occupied as agricultural produce market as at the valuation date.	853,600,000

Notes:

1. The real property is located at the southern suburban area of Guiyang City which is about 30 km from the airport in Guiyang City. The immediate locality is a local village.
2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Hua Xi Guo Yong (2012) Di No. 22168, the land use rights of the real property with a site area of approximately 171,844.13 sq.m. have been granted to Guiyang Dili Agri-Products Logistics Park Company Limited (貴陽地利農產品物流園有限公司) ("Guiyang Dili") for a term expiring in August 2052 for market uses.
3. Pursuant to a Building Ownership Certificate (房屋所有權證), Zhu Fang Quan Zheng Hua Xi Zi Di No. 100026975, 2 buildings of the real property with a total GFA of approximately 78,485.53 sq.m. are legally owned by Guiyang Dili.
4. In the valuation of the real property, we have attributed no commercial value to 10 remaining buildings with a total GFA of approximately 108,595.18 sq.m. as relevant title certificates of such remaining buildings have not been obtained.
5. In the course of our valuation, we have made reference to various rental information of the real property/similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB55 to RMB85 per sq.m.

APPENDIX VI PROPERTY VALUATION OF THE REVISED HADA TARGET GROUP

6. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:
 - a. The land use rights and building ownership rights of the real property (except the remaining buildings stated in Note 4) are legally vested in Guiyang Dili;
 - b. Guiyang Dili is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the remaining buildings stated in Note 4) freely in the market;
 - c. As advised by Guiyang Dili, the application for the title certificates for the remaining buildings stated in Note 4 is being processed; and
 - d. For the 10 remaining buildings without title certificates, Guiyang Dili may be subject to a risk of fine and the remaining buildings may be ordered to be demolished. Based on the confirmation from the competent government authorities, there exist no material impediments to obtain such title certificates.

7. Guiyang Dili is a wholly-owned subsidiary of Revised Hada Target Group.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 29 February 2020 RMB
4.	3 land parcels, 20 buildings and various structures located at No. 157 Minhang Road, Longsha District, Qiqihar City, Heilongjiang Province, the PRC	<p>The real property comprises 3 land parcels (the “Land Parcels”) with a total site area of approximately 73,838.7 sq.m. together with 17 buildings and various structures completed in various stages between 2008 and 2011 erected thereon. The real property also comprises 3 buildings (“other buildings”) completed in between 2011 and 2015 erected upon a land parcel which is adjacent to the Land Parcels.</p> <p>The total gross floor area (“GFA”) of the buildings of the real property is approximately 40,593.32 sq.m.</p> <p>The land use rights of the Land Parcels of the real property have been granted for a common term expiring on 26 February 2059 for storage use.</p>	The real property was occupied as agricultural produce market as at the valuation date.	254,300,000

Notes:

1. The real property is located in Longsha District which is about an hour from Qiqihar Sanjiazi Airport. The immediate locality is a residential area.
2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Qi Tu Ji Guo Yong (2009) Di Nos. 0100055, the land use rights of a land parcel of the real property with site area of approximately 14,852.8 sq.m. have been granted to Qiqihar Hada Agricultural and Sideline Products Company Limited (齊齊哈爾哈達農副產品有限責任公司) (“Qiqihar Hada”) for a term expiring on 26 February 2059 for storage use.
3. Pursuant to 6 Immovable Property Certificates (不動產權證書), Hei (2018) Qi Qi Ha R Shi Bu Dong Chan Quan Di Nos. 0009946, 0009947, 0010122, 0010123, 0010124 and 0010125, the land use rights of 2 land parcels of the real property with a total site area of approximately 58,985.9 sq.m. and the building ownership rights of 6 buildings of the real property with a total GFA of approximately 30,114.37 sq.m. have been granted to Qiqihar Hada for a common term expiring on 26 February 2059 for storage use.
4. In the valuation of the real property, we have attributed no commercial value to 14 buildings with a total GFA of approximately 10,478.95 sq.m. as relevant title certificates of such buildings have not been obtained.
5. In the course of our valuation, we have made reference to various rental information of the real property/similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB50 to RMB80 per sq.m.

APPENDIX VI PROPERTY VALUATION OF THE REVISED HADA TARGET GROUP

6. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:
 - a. The land use rights and building ownership rights of the real property (except the remaining buildings stated in Notes 4) are legally vested in Qiqihar Hada;
 - b. Qiqihar Hada is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the remaining buildings stated in Notes 4 and the restriction in relation to the lease in effect) freely in the market;
 - c. As confirmed by Qiqihar Hada, the real property is not subject to mortgage or any other material encumbrances;
 - d. As advised by Qiqihar Hada, the application for the title certificates for the portions of the remaining buildings stated in Note 4 with a total GFA of approximately 2,460.55 sq.m. is being processed;
 - e. As advised by Qiqihar Hada, the application for the Construction Land Use Planning Permit and Construction Works Planning Permit for portions of the remaining buildings stated in Note 4 with a total GFA of approximately 2,000.4 sq.m. is being processed; and
 - f. For the buildings stated in Notes 6d and 6e, Qiqihar Hada may be subject to a risk of fine and such remaining buildings may be ordered to be demolished. Based on the confirmation from the competent government authorities, no action will be taken to impose fines or penalties for Qiqihar Hada on such buildings to continue its operation and usage as long as there are no objection raised by third party nor public interest being infringed. As at the Latest Practicable Date, Qiqihar Hada has not received any objection or public notice, is not aware of any possible circumstances that may result in any objection or public notice to affect its continuing occupation and usage in such buildings.
7. Qiqihar Hada is a wholly-owned subsidiary of Revised Hada Target Group.

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 29 February 2020 RMB
5.	A land parcel, various buildings and structures located at the western side of Xinxing Road, Yangming District, Mudanjiang City, Heilongjiang Province, The PRC	<p>The real property comprises a land parcel with a total site area of approximately 168,151.4 sq.m. together with various buildings and structures completed in various stages between 2013 and 2017 erected thereon.</p> <p>The total gross floor area (“GFA”) of the real property is approximately 169,019.44 sq.m.</p> <p>The land use rights of the real property have been granted for a common term expiring on 5 December 2050 for retail and wholesale uses.</p>	The real property was occupied as agricultural produce market as at the valuation date.	348,400,000

Notes:

1. The real property is located in Yangming District which is only about 13 km from the airport in Mudanjiang City. The immediate locality is a rural area.
2. Pursuant to 10 Immovable Property Certificates (不動產權證書), Hei (2019) Mu Dan Jiang Shi Bu Dong Chan Quan Di Nos. 0008705, 0008707, 0008708, 0008710, 0008711, 0008712, 0008713, 0008715, 0008716 and 0008717, the land use rights of a land parcel of the real property with site area of approximately 168,151.4 sq.m. and the building ownership rights of the buildings of the real property with a total GFA of approximately 107,180.68 sq.m. have been granted to Mudanjiang Muda Agricultural and Side Products Company Limited (牡丹江牡達農副產品有限公司) (“Mudanjiang Muda”) for a common term expiring on 5 December 2050 for retail and wholesale uses.
3. In the course of our valuation, we have made reference to various rental information of the real property/similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB16 to RMB45 per sq.m.
4. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:
 - a. The land use rights and building ownership rights of the real property are legally vested in Mudanjiang Muda;
 - b. Mudanjiang Muda is entitled to occupy, use, transfer, lease, mortgage and receive income from the real property freely in the market; and
 - c. As confirmed by Mudanjiang Muda, the real property is not subject to mortgage or any other material encumbrances.
5. Mudanjiang Muda is a wholly-owned subsidiary of Revised Hada Target Group.

APPENDIX VI PROPERTY VALUATION OF THE REVISED HADA TARGET GROUP

VALUATION CERTIFICATE

No.	Real Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 29 February 2020 RMB
6.	6 land parcels, 17 buildings, a basement carpark and various structures located at the northern side of Dongmao Road North, Dadong District, Shenyang City, Liaoning Province, the PRC	<p>The real property comprises 6 land parcels (“Land Parcel A”, “Land Parcel B”, “Land Parcel C”, “Land Parcel D”, “Land Parcel E” and “Land Parcel F”) with a total site area of approximately 212,996.15 sq.m. together with various buildings, a basement carpark and various structures completed in various stages between 2006 and 2014 erected thereon.</p> <p>The total gross floor area (“GFA”) of the buildings and a basement carpark of the real property is approximately 264,517.07 sq.m.</p> <p>The land use rights of the real property have been granted for various terms expiring on 30 October 2052 for Land Parcels A, B, C & D, 28 March 2050 for Land Parcel E and 11 December 2062 for Parcel F for wholesale & retail, commercial and storage uses respectively.</p>	The real property was occupied as agricultural produce market as at the valuation date.	1,467,000,000

Notes:

1. The real property is located at the northeastern suburban area of Shenyang City which is about 40 km from the Shenyang Taoxian International Airport. The immediate locality is a composite commercial/residential area.
2. Pursuant to 4 State-owned Land Use Rights Certificates (國有土地使用證), Shen Yang Da Dong Guo Yong (2016) Di Nos. 0000028, 0000029, 0000030 and 0000031, the land use rights of Land Parcels A, B, C & D of the real property with a total site area of approximately 139,943 sq.m. have been granted to Shenyang Dili Agricultural Produce and Side Products Company Limited (瀋陽地利農副產品有限公司) (“Shenyang Dili”) for various terms expiring on 30 December 2052 for wholesale and retail uses.
3. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Shen Yang Guo Yong (2012) Di No. 0123, the land use rights of Land Parcel F of the real property with a site area of approximately 28,865.90 sq.m. have been granted to Liaoning Yindali Property Investment Company Limited (遼寧銀達利置業投資有限公司) (“Liaoning Yindali”) for a term expiring on 11 December 2062 for storage use.
4. Pursuant to an Immovable Property Certificate (不動產權證書), Liao (2018) Shen Yang Shi Bu Dong Chan Quan Di No 0296184, the land use rights of Land Parcel E the real property with a site area of approximately 44,187.25 sq.m. and the building ownership rights of a building of the real property with a GFA of approximately 82,357.04 sq.m. have been granted to Shenyang Jindongmao Property Company Limited (瀋陽金東貿置業有限公司) (“Shenyang Jindongmao”) for a term expiring on 28 March 2050 for commercial use.

APPENDIX VI PROPERTY VALUATION OF THE REVISED HADA TARGET GROUP

5. In the valuation of the real property, we have attributed no commercial value to 16 remaining buildings and a basement carpark with a total GFA of approximately 182,160.03 sq.m. as relevant title certificates of such buildings have not been obtained.
6. In the course of our valuation, we have made reference to various sale information of similar real properties within the locality which have the similar characteristics comparable to the real property. The unit rates of these sale information range from about RMB500 to RMB7,800 per sq.m.
7. In the course of our valuation, we have also made reference to various rental information of similar real properties within the locality which have the similar characteristics comparable to the real property. The monthly unit rents of these rental information range from about RMB50 to RMB70 per sq.m.
8. The opinion of the PRC legal advisor to the Company contains, inter alia, the following:
 - a. The land use rights of the real property (except the buildings and the basement carpark stated in Note 5) are legally vested in Shenyang Dili, Shenyang Jindongmao and Liaoning Yindali;
 - b. Shenyang Dili, Shenyang Jindongmao and Liaoning Yindali are entitled to occupy, use, transfer, lease, mortgage and receive income from the real property (except the buildings and the basement carpark stated in Note 5 and the restriction to the lease in effect) freely in the market;
 - c. There exist no legal impediment for Shenyang Dili and Liaoning Yindali to obtain the relevant title documents of the buildings and the basement carpark;
 - d. As confirmed by Shenyang Dili, Shenyang Jindongmao and Liaoning Yindali, the real property is not subject to any other material encumbrances; and
 - e. For buildings without title certificates, Shenyang Dili and Liaoning Yindali may be subject to a risk of fine and such buildings may be ordered to be demolished. Based on the confirmation from the competent government authorities, there are no material impediments to obtain such title certificates.
9. Shenyang Jindongmao is a wholly-owned subsidiary of Revised Hada Target Group.
10. Shenyang Dili and Liaoning Yindali are 90%-owned subsidiaries of Revised Hada Target Group.

A. RESPONSIBILITY STATEMENT

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

B. DISCLOSURE OF INTERESTS**1. DIRECTORS' INTERESTS**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company or any of their associates had or were deemed to have any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) entered in the register required to be kept pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”):

(a) Directors' and chief executives' interests and short positions in Shares and underlying Shares of the Company

Name of director	Capacity	Nature of interest (note 1)	Number of issued Shares/ underlying Shares	Approximate percentage of interest in the Company
Mr. Yin Jianhong	Beneficial owner	L	4,835,000	0.08%

2. SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save as disclosed below, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of shareholder	Capacity	Nature of interest (note 1)	Number of issued Shares	Approximate percentage of interest in the Company
Mr. Dai Yongge	Beneficial owner	L	20,007,000	0.35%
	Interest in controlled corporations	L (note 2)	2,111,021,532	36.93%
	Interest of spouse	L (note 3)	3,514,336,975	61.49%
	Interest in a controlled corporation	S	6,655,629	0.12%
Super Brilliant Investments Limited	Beneficial owner	L (note 2)	2,011,810,466	35.20%
	Beneficial owner	S	6,655,629	0.12%
Shining Hill Investments Limited	Interest in a controlled corporation	L (note 2)	2,011,810,466	35.20%
	Interest in a controlled corporation	S	6,655,629	0.12%
Ms. Zhang Xingmei	Interest in a controlled corporation	L (note 4)	3,514,336,975	61.49%
	Interest of spouse	L (note 5)	2,131,028,532	37.28%
	Interest of spouse	S (note 5)	6,655,629	0.12%
New Amuse Limited	Beneficial owner	L	3,514,336,975	61.49%
Shouguang Dili Agri-products Group Company Limited	Interest in a controlled corporation	L (note 4)	3,514,336,975	61.49%
Dili Group Holdings Company Limited	Interest in a controlled corporation	L (note 4)	3,514,336,975	61.49%
Win Spread Limited	Interest in a controlled corporation	L (note 4)	3,514,336,975	61.49%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares, and the letter “S” denotes the person’s short position in the Shares.
- (2) Among 2,111,021,532 Shares of the Company deemed to be interested by Mr. Dai Yongge, 15,912,000 Shares are held by Gloss Season Limited (“**Gloss Season**”), which is held as to 100% by Mr. Dai Yongge, he is deemed to be interested in the Shares held by Gloss Season; 2,011,810,466 Shares are held by Super Brilliant Investments Limited (“**Super Brilliant**”) and Super Brilliant is wholly-owned by Shining Hill Investments Limited (“**Shining Hill**”). Mr. Dai Yongge is interested in the entire issued share capital of Shining Hill which is in turn interested in the entire issued share capital of Super Brilliant and therefore, Mr. Dai Yongge and Shining Hill are deemed to be interested in the Shares held by Super Brilliant; 83,299,066 Shares are held by Wealthy Aim Holdings Limited (“**Wealthy Aim**”). As the entire issued share capital of Wealthy Aim is held by Broad Long Limited, which is held as to 100% by Mr. Dai Yongge, he is deemed to be interested in the Shares held by Wealthy Aim.
- (3) Mr. Dai Yongge is deemed to be interested in the Shares held by his spouse, Ms. Zhang Xingmei.
- (4) Ms. Zhang Xingmei holds the entire issued share capital of Win Spread Limited (“**Win Spread**”). Win Spread holds the entire issued share capital of Dili Group Holdings Company Limited (“**Dili Group Holdings**”). Dili Group Holdings holds the entire issued share capital of Shouguang Dili Agri-products Group Company Limited (“**Shouguang Dili**”). Shouguang Dili holds the entire issued share capital of New Amuse Limited (“**New Amuse**”). Among the 3,514,336,975 Shares interested in by New Amuse, (i) 811,707,317 Shares are held by New Amuse and (ii) 2,702,629,658 Shares represent the Conversion Shares convertible from the Convertible Bond in the aggregate principal amount of HK\$4,405,286,344, based on the initial conversion price of HK\$1.63 per Share, to be issued by the Company to New Amuse upon completion of the Hada Acquisition. Accordingly, each of Ms. Zhang Xingmei, Win Spread, Dili Group Holdings and Shouguang Dili is deemed to be interested in the 3,514,336,975 Shares interested in by New Amuse. As at the Latest Practicable Date, the Convertible Bond had not yet been issued by the Company to New Amuse, and accordingly no Shares had been converted therefrom.
- (5) Ms. Zhang Xingmei is deemed to have interests and short positions in the Shares held by her spouse, Mr. Dai Yongge.

As at the Latest Practicable Date, none of the Directors is also a director or employee of any substantial shareholder of the Company.

C. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

D. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up, been acquired or disposed of by, or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Enlarged Group which was significant in relation to the business of the Enlarged Group.

E. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the members of the Group.

F. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group.

G. MATERIAL CONTRACTS

During the two years immediately preceding the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by the Group and are or may be material:

- (a) the Hada Acquisition Agreement;
- (b) the sale and purchase agreement dated 5 June 2018 entered into between Yield Smart, the Company and Vast Equity Investment Limited in respect of the entire issued share capital of Wise Path Holdings Limited at a consideration of RMB1.47 billion;
- (c) the underwriting agreement dated 5 June 2018 and entered into between the Company and Super Brilliant Investments Limited in relation to the proposed issuance of rights shares at a subscription price of HK\$0.163 each on the basis of three rights shares for every ten shares issued at the prevailing time;
- (d) the sale and purchase agreement dated 29 August 2019 entered into between Yield Smart and Plenty Business Holdings Limited in respect of the acquisition of 19% of the entire share capital of Million Master Investment Limited at a consideration of RMB950 million;
- (e) the loan agreement dated 29 August 2019 entered into between Harbin Dili (as lender) and 哈爾濱地利生鮮農產品企業管理有限公司 (Harbin Dili Fresh Agricultural Produce Enterprise Management Co., Ltd.***) (“Dili Fresh”) (as borrower) in relation to a revolving loan up to the principal amount of RMB2 billion (the “**Loan Agreement**”);
- (f) the supplemental agreement dated 13 March 2020 entered into between Harbin Dili and Dili Fresh to amend the Loan Agreement; and

(g) the Deed of Amendment.

H. EXPERT'S CONSENT AND QUALIFICATIONS

Each of Grand Moore, KPMG and BMI Appraisals has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report(s) and/or valuation certificate(s) and/or opinion(s) and the references to their names included herein in the form and context in which it is respectively included.

The following are the qualifications of the experts who have given opinions or advices which are contained in this circular:

Name	Qualifications
Grand Moore	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
KPMG	Certified Public Accountants
BMI Appraisals	Independent Professional Valuer

Each of the experts named above confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, nor did it have any direct or indirect interests in any assets which have since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

I. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest audited consolidated financial statements of the Company were made up.

J. CORPORATE INFORMATION

Company secretary:	Hung Fan Kwan (<i>FCCA, FCCA</i>)
Registered Office:	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal Place of Business in Hong Kong:	Suites 1701–1703, One IFC, 1 Harbour View Street, Central, Hong Kong

K. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours, Monday to Friday (other than public holidays) at the principal place of business of the Company at Suites 1701–1703, One IFC, 1 Harbour View Street, Central, Hong Kong from the date of this circular up to and including 12 June 2020:

- (a) the material contracts as set out under section headed “G. Material Contracts” of this appendix above;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 41 to 86 of this circular;
- (c) the annual reports of the Company for each of the three years ended 31 December 2017, 2018 and 2019;
- (d) the Accountants’ Report on the Revised Hada Target Group prepared by KPMG, the text of which is set out in Appendix III to this circular;
- (e) the report on the Unaudited Pro Forma Financial Information of the Enlarged Group issued by KPMG, the text of which is set out in Appendix IV to this circular;
- (f) the Business Valuation Report on the Revised Hada Target Group prepared by BMI Appraisals, the text of which are set out in Appendix V to this circular;
- (g) the Property Valuation Report on the Revised Hada Target Group prepared by BMI Appraisals, the text of which are set out in Appendix VI to this circular;
- (h) the consent letters referred to in the paragraph headed “H. Expert’s consent and qualifications” in this appendix above;
- (i) this circular; and
- (j) the memorandum and articles of association of the Company.

L. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text, in the event of inconsistency.

NOTICE OF EGM



中国地利集团 China Dili Group

(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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China Dili Group (the “**Company**”) will be held at 3:00 p.m. on Wednesday, 24 June 2020 at Salon 1–3, 3/F, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong for the purposes of considering and, if thought fit, passing the following as an ordinary resolution of the Company, with or without amendments:

Capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 29 May 2020 to the shareholders of the Company (the “**Shareholders**”) (the “**Circular**”) unless otherwise specified.

ORDINARY RESOLUTION

“**THAT:**

the Hada Acquisition and the transactions contemplated thereunder (including the Deed of Amendment, the issue of the Convertible Bond and the Conversion Shares in accordance with the terms and conditions of the Hada Acquisition Agreement, as amended by the Deed of Amendment and the instruments constituting the Convertible Bond, and the termination of the Framework Lease Agreement by the parties thereunder), be and is hereby approved; and conditional upon the Listing Committee granting the listing of, and the permission to deal in, the Conversion Shares, the grant of the Specific Mandate for the allotment and issue of the Conversion Shares; and the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the matters contemplated in this resolution.”

Yours faithfully
China Dili Group
Wang Yan
Chairman

Hong Kong, 29 May 2020

* For identification purpose only

NOTICE OF EGM

Notes:

- (1) As disclosed in the Circular, Mr. Dai, Ms. Zhang and their respective associates will (and any person who is involved or interested in the Hada Transaction will be required to) abstain from voting on the resolution above at the EGM.
- (2) The register of members of the Company will be closed for registration of transfer of shares from Friday, 19 June 2020 to Wednesday, 24 June 2020, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong on or before 4:30 p.m., Thursday, 18 June 2020.
- (3) Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (4) Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share, shall alone be entitled to vote in respect thereof.
- (5) To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at Computershare Hong Kong Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (6) The resolution at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

As at the date of this notice, the board of directors of the Company 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.

NOTICE OF EGM

SPECIAL NOTICE

For ongoing prevention and control of the COVID-19 pandemic and to safeguard the health and safety of the Shareholders and other persons attending the EGM, the Company regrets to inform the Shareholders that there will be no distribution of corporate gift or serving of refreshment in the EGM. When entering the meeting venue, participants including Shareholders or their proxies attending the EGM in person should allow their body temperatures to be checked and wear surgical face masks and maintain appropriate distance from each other throughout the EGM. Participants should also refrain from eating and drinking in the meeting venue.

The number of seats at the venue of the EGM will be limited and available on a first-come-first-served basis and the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding and to enable social distancing.

Anyone who has travelled outside Hong Kong within 14 days before the EGM (a “**Recent Record of Travelling**”), who is subject to quarantine or self-quarantine related to COVID-19, or has close contact with any person who is undergoing quarantine or has a Recent Record of Travelling should not attend the EGM in person.

Any person who does not comply with the precautionary measures may be denied the entry into the meeting venue. The Company also encourages Shareholders NOT to attend the EGM in person but appoint the chairman of the meeting as their proxy to vote on relevant resolution according to their indicated voting instructions as an alternative. When assessing whether or not it is necessary to adjourn the EGM or change the meeting venue, the Board will consider the impact of the latest outbreak of COVID-19 in the local community, the measures announced by the Government of the Hong Kong Special Administrative Region and/or any applicable regulatory body in connection with COVID-19 and the availability of suitable meeting venue(s). If necessary, the Company will post an announcement on the website of the Company at <http://www.diligrp.com> and the Stock Exchange’s website at <http://www.hkexnews.hk> as soon as practicable to notify Shareholders of any change to the meeting venue or the date, time and place of any adjourned meeting.