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Renhe Commercial Holdings Company Limited

人和商業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1387)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the “Board”) of Renhe Commercial Holdings Company Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

| | <i>Note</i> | 2016 RMB'000 | 2015 <i>RMB'000</i> <i>Re-presented</i> <i>(Note 7)</i> |
|--|-------------|-------------------------------|--|
| Continuing operation | | | |
| Revenue | 2 | <u>1,001,765</u> | <u>386,640</u> |
| Gross profit | | 1,001,765 | 386,640 |
| Other income | 3 | 127,409 | 44,461 |
| Administrative expenses | | (490,488) | (412,036) |
| Goodwill impairment losses | 11 | – | (1,132,950) |
| Other operating expenses | | <u>(591,135)</u> | <u>(240,435)</u> |
| Operating profit/(loss) from continuing operation | | 47,551 | (1,354,320) |
| Finance income | | 7,124 | 19,822 |
| Finance expenses | | <u>(26,126)</u> | <u>(2,190)</u> |
| Net finance (expenses)/income | 5 | <u>(19,002)</u> | <u>17,632</u> |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)*For the year ended 31 December 2016*

| | <i>Note</i> | 2016 RMB'000 | 2015 <i>RMB'000</i> <i>Re-presented</i> <i>(Note 7)</i> |
|--|-------------|-------------------------------|--|
| Profit/(loss) from continuing operation before taxation | 4 | 28,549 | (1,336,688) |
| Income tax | 6 | <u>(116,827)</u> | <u>(35,677)</u> |
| Loss from continuing operation | | (88,278) | (1,372,365) |
| Discontinued operation | | | |
| Loss from discontinued operation, net of tax | 7(a) | <u>(14,513,350)</u> | <u>(3,164,388)</u> |
| Loss for the year | | <u>(14,601,628)</u> | <u>(4,536,753)</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | (14,583,909) | (4,435,683) |
| Non-controlling interests | | <u>(17,719)</u> | <u>(101,070)</u> |
| Loss for the year | | <u>(14,601,628)</u> | <u>(4,536,753)</u> |
| Loss attributable to: | | | |
| Equity shareholders of the Company | | | |
| — Continuing operation | | (88,278) | (1,372,365) |
| — Discontinued operation | | <u>(14,495,631)</u> | <u>(3,063,318)</u> |
| | | (14,583,909) | (4,435,683) |
| Non-controlling interests | | | |
| — Discontinued operation | | <u>(17,719)</u> | <u>(101,070)</u> |
| Loss for the year | | <u>(14,601,628)</u> | <u>(4,536,753)</u> |
| Basic and diluted loss per share (RMB cents) | 9 | (33.17) | (11.99) |
| From continuing operation | | (0.20) | (3.71) |
| From discontinued operation | | (32.97) | (8.28) |

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

For the year ended 31 December 2016

| | 2016 <i>RMB'000</i> | 2015 <i>RMB'000</i> <i>Re-presented</i> <i>(Note 7)</i> |
|--|-------------------------------|--|
| Loss for the year | (14,601,628) | (4,536,753) |
| 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 operation | <u>(46,327)</u> | <u>(260,807)</u> |
| Total comprehensive income for the year | <u>(14,647,955)</u> | <u>(4,797,560)</u> |
| Attributable to: | | |
| Equity shareholders of the Company | (14,630,236) | (4,696,490) |
| Non-controlling interests | <u>(17,719)</u> | <u>(101,070)</u> |
| Total comprehensive income for the year | <u>(14,647,955)</u> | <u>(4,797,560)</u> |
| Total comprehensive income for the year arises from | | |
| Continuing operation | 61,098 | (1,080,976) |
| Discontinued operation | <u>(14,709,053)</u> | <u>(3,716,584)</u> |
| Total comprehensive income for the year | <u>(14,647,955)</u> | <u>(4,797,560)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

| | <i>Note</i> | 31 December 2016 RMB'000 | 31 December 2015 RMB'000 |
|--|-------------|---|--------------------------------|
| Non-current assets | | | |
| Property and equipment | | 683,893 | 535,719 |
| Investment properties | | – | 23,001,104 |
| Intangible assets | 10 | 6,034,550 | 6,358,083 |
| Goodwill | 11 | 386,380 | 750,172 |
| Other assets | | 21,682 | 1,077,057 |
| Deferred tax assets | | – | 137,332 |
| Trade receivables and other assets | 12 | – | 261,642 |
| | | 7,126,505 | 32,121,109 |
| Total non-current assets | | | |
| Current assets | | | |
| Inventories | | 46,538 | 4,770,016 |
| Trade receivables and other assets | 12 | 1,852,670 | 436,421 |
| Cash at bank and on hand | | 1,464,956 | 908,400 |
| | | 3,364,164 | 6,114,837 |
| Total current assets | | | |
| Current liabilities | | | |
| Interest-bearing borrowings | 14(ii) | – | 4,681,113 |
| Trade and other payables | 13 | 1,969,737 | 5,157,236 |
| Taxation | | 50,262 | 46,821 |
| | | 2,019,999 | 9,885,170 |
| Total current liabilities | | | |
| | | 1,344,165 | (3,770,333) |
| Net current assets/(liabilities) | | | |
| | | 8,470,670 | 28,350,776 |
| Total assets less current liabilities | | | |
| Non-current liabilities | | | |
| Interest-bearing borrowings | 14(i) | – | 2,067,480 |
| Long-term rental deposits | | – | 17,282 |
| Deferred tax liabilities | | 1,505,484 | 4,609,915 |
| Receipt-in-advance | | – | 21,867 |
| | | 1,505,484 | 6,716,544 |
| Total non-current liabilities | | | |
| | | 6,965,186 | 21,634,232 |
| Net assets | | | |
| Capital and reserves | | | |
| Share capital | 15 | 366,604 | 366,604 |
| Reserves | | 6,598,582 | 21,228,818 |
| | | 6,965,186 | 21,595,422 |
| Total equity attributable to equity shareholders of the Company | | | |
| Non-controlling interests | | – | 38,810 |
| | | 6,965,186 | 21,634,232 |
| Total equity | | | |

NOTES:

1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and its interpretations issued by the International Accounting Standards Board (“IASB”) and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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

Changes in Accounting Policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

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

2. REVENUE AND SEGMENT REPORTING

(a) Revenue

| | Continuing operation | | Discontinued operation | | Total | |
|------------------------------|----------------------|----------------|------------------------|----------------|------------------|----------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Operating lease | 243,473 | 101,623 | 239,313 | 481,860 | 482,786 | 583,483 |
| Transfer of operation rights | - | - | - | 2,186 | - | 2,186 |
| Commission income | 758,292 | 285,017 | - | - | 758,292 | 285,017 |
| | <u>1,001,765</u> | <u>386,640</u> | <u>239,313</u> | <u>484,046</u> | <u>1,241,078</u> | <u>870,686</u> |

The Group’s customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group’s revenue during the year (2015: Nil).

(b) Segment reporting

The Group manages its businesses based on its business line, which are divided into development, lease and management of shopping mall and operation of agriculture wholesale markets. Before July 2015, the Group only has one business line, development, lease and management of shopping mall. Operation of agriculture wholesale markets business was acquired by the Group in July 2015 (the “Acquisition”).

Since the development, lease and management of shopping mall segment has been disposed on 8 July 2016 (see Note 7), the profit or loss, assets and liabilities of continuing operation represent the single segment of operation of agriculture wholesale markets segment.

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

3. OTHER INCOME

| | Continuing operation | | Discontinued operation | | Total | |
|---|----------------------|-----------------|------------------------|-----------------|-----------------|-----------------|
| | 2016 RMB'000 | 2015 RMB'000 | 2016 RMB'000 | 2015 RMB'000 | 2016 RMB'000 | 2015 RMB'000 |
| Market service fee income | 126,606 | 44,461 | - | - | 126,606 | 44,461 |
| Revenue from property management and relevant service | - | - | 54,731 | 97,916 | 54,731 | 97,916 |
| Net gain on disposal of property and equipment | 148 | - | 967 | 1,050 | 1,115 | 1,050 |
| Government grants | 466 | - | 89 | - | 555 | - |
| Others | 189 | - | 8,255 | 6,011 | 8,444 | 6,011 |
| | <u>127,409</u> | <u>44,461</u> | <u>64,042</u> | <u>104,977</u> | <u>191,451</u> | <u>149,438</u> |

4. PROFIT/(LOSS) BEFORE INCOME TAX

| | Note | Continuing operation | | Discontinued operation | | Total | |
|---|---------|----------------------|-----------------|------------------------|-----------------|-----------------|-----------------|
| | | 2016 RMB'000 | 2015 RMB'000 | 2016 RMB'000 | 2015 RMB'000 | 2016 RMB'000 | 2015 RMB'000 |
| Depreciation | | 45,174 | 36,603 | 2,800 | 7,411 | 47,974 | 44,014 |
| Amortization | 10 | 324,333 | 140,397 | - | - | 324,333 | 140,397 |
| Advertisement expenses | | 2,364 | 2,112 | 6,992 | 11,811 | 9,356 | 13,923 |
| Repairs and maintenance | | 20,693 | 17,214 | 32,869 | 78,061 | 53,562 | 95,275 |
| Utility charges | | 39,676 | 11,622 | 21,219 | 42,096 | 60,895 | 53,718 |
| Operating lease charges | | 136,769 | 60,455 | 4,966 | 11,052 | 141,735 | 71,507 |
| Auditors' remuneration | | | | | | | |
| — audit services | | 5,859 | 12,738 | 3,741 | 9,906 | 9,600 | 22,644 |
| — tax services | | - | - | 78 | 88 | 78 | 88 |
| Rentals receivable less direct outgoings of RMB14,716,000 (2015: RMB37,081,000) | | - | - | (224,597) | (531,068) | (224,597) | (531,068) |
| Impairment loss on receivables | 12(iii) | - | - | - | 135,420 | - | 135,420 |

5. NET FINANCE (EXPENSES)/INCOME

| | Continuing operation | | Discontinued operation | | Total | |
|--|----------------------|-----------------|------------------------|------------------|------------------|------------------|
| | 2016 RMB'000 | 2015 RMB'000 | 2016 RMB'000 | 2015 RMB'000 | 2016 RMB'000 | 2015 RMB'000 |
| Finance income | | | | | | |
| — Interest income on bank deposits | 7,124 | 191 | 358 | 16,820 | 7,482 | 17,011 |
| — Income from loan receivable | — | — | 1,827 | 25,588 | 1,827 | 25,588 |
| — Gain on tender offers of senior notes | — | — | — | 581,491 | — | 581,491 |
| — Net foreign exchange gain | — | 19,631 | — | 1,027 | — | 20,658 |
| — Interest income on trade receivables | — | — | 3,447 | 84,066 | 3,447 | 84,066 |
| | <u>7,124</u> | <u>19,822</u> | <u>5,632</u> | <u>708,992</u> | <u>12,756</u> | <u>728,814</u> |
| Finance expenses | | | | | | |
| — Interest on interest-bearing borrowings | (19,068) | (2,049) | (289,782) | (631,803) | (308,850) | (633,852) |
| Less: interest expenses capitalised into investment properties and inventories | — | — | — | 96,540 | — | 96,540 |
| | <u>(19,068)</u> | <u>(2,049)</u> | <u>(289,782)</u> | <u>(535,263)</u> | <u>(308,850)</u> | <u>(537,312)</u> |
| — Net foreign exchange (loss)/gain | (5,979) | — | 5,323 | — | (656) | — |
| — Discount effect of trade receivables | — | — | — | (17,993) | — | (17,993) |
| — Bank charges and others | (1,079) | (141) | (287) | (472) | (1,366) | (613) |
| | <u>(26,126)</u> | <u>(2,190)</u> | <u>(284,746)</u> | <u>(553,728)</u> | <u>(310,872)</u> | <u>(555,918)</u> |
| | <u>(19,002)</u> | <u>17,632</u> | <u>(279,114)</u> | <u>155,264</u> | <u>(298,116)</u> | <u>172,896</u> |

6. INCOME TAX

| | Continuing operation | | Discontinued operation | | Total | |
|--|----------------------|-----------------|------------------------|--------------------|-----------------|--------------------|
| | 2016 RMB'000 | 2015 RMB'000 | 2016 RMB'000 | 2015 RMB'000 | 2016 RMB'000 | 2015 RMB'000 |
| Current tax — Provision for the year | | | | | | |
| PRC Enterprise Income Tax | | | | | | |
| Provision for the year | 197,659 | 70,785 | 6,797 | 18,190 | 204,456 | 88,975 |
| Under/(over)-provision in respect of prior years | 252 | (9) | 3,245 | (16,069) | 3,497 | (16,078) |
| | <u>197,911</u> | <u>70,776</u> | <u>10,042</u> | <u>2,121</u> | <u>207,953</u> | <u>72,897</u> |
| Deferred tax | | | | | | |
| Reversal and origination of temporary difference | (81,084) | (35,099) | (150,237) | (1,038,426) | (231,321) | (1,073,525) |
| | <u>116,827</u> | <u>35,677</u> | <u>(140,195)</u> | <u>(1,036,305)</u> | <u>(23,368)</u> | <u>(1,000,628)</u> |

- (i) According to the Corporate Income Tax Law of the PRC, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25% (2015: 25%).
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year.

7. DISCONTINUED OPERATION

During the year, the Company entered into a sale agreement to dispose of its shopping mall segment, which comprises 23 completed shopping malls, 11 shopping malls under construction and 10 shopping malls at the planning stage with relevant construction approvals obtained. The Disposal contemplated under the sale agreement was approved by the independent shareholders of the Company at the Extraordinary General Meeting held on 18 May 2016. The Disposal was completed on 8 July 2016, the controlling shareholder of the Company acquired the Disposal Group at a consideration of RMB6.5 billion. The Disposal Group represents a separate major line of business of the Group, it has been presented as a discontinued operation, and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operation.

(a) Results of discontinued operation

| | <i>Note</i> | 2016 RMB'000 | 2015 <i>RMB'000</i> |
|--|-------------|-------------------------------|------------------------|
| Revenue | 2 | 239,313 | 484,046 |
| Cost of sales | | <u>–</u> | <u>(1,231)</u> |
| Gross profit | | 239,313 | 482,815 |
| Other income | 3 | 64,042 | 104,977 |
| Administrative expenses | | (84,601) | (289,965) |
| Other operating expenses | | (103,490) | (211,953) |
| Net valuation loss on investment properties | | (763,085) | (4,441,711) |
| Loss on disposal of investment properties | | <u>–</u> | <u>(120)</u> |
| Operating loss | | (647,821) | (4,355,957) |
| Finance income | | 5,632 | 708,992 |
| Finance expenses | | (284,746) | (553,728) |
| Net finance (expenses)/income | 5 | (279,114) | 155,264 |
| Loss before taxation | 4 | (926,935) | (4,200,693) |
| Income tax | 6 | 140,195 | 1,036,305 |
| Net operating loss for the year from discontinued operation, net of tax | | (786,740) | (3,164,388) |
| Loss on disposal of discontinued operation | | <u>(13,726,610)</u> | <u>–</u> |
| Loss from discontinued operation, net of tax | | <u>(14,513,350)</u> | <u>(3,164,388)</u> |
| Loss for the year from discontinued operation attributable to: | | | |
| Equity shareholders of the Company | | (14,495,631) | (3,063,318) |
| Non-controlling interests | | <u>(17,719)</u> | <u>(101,070)</u> |
| Loss for the year from discontinued operation | | <u>(14,513,350)</u> | <u>(3,164,388)</u> |

(b) **Effect of disposal on the financial position of the Group**

| | <i>Note</i> | 8 July 2016 RMB'000 |
|---|-------------|--------------------------------------|
| Assets | | |
| Property and equipment | | (12,212) |
| Investment properties at fair value | | (22,267,390) |
| Goodwill | 11 | (363,792) |
| Inventories | | (4,745,898) |
| Other assets | | (1,079,350) |
| Deferred tax assets | | (137,818) |
| Trade receivables and other assets | | (637,190) |
| Cash at bank and on hand | | (226,529) |
| | | <u>(29,470,179)</u> |
| Liabilities | | |
| Trade and other payables | | 3,412,503 |
| Interest-bearing borrowings | | 2,930,219 |
| Deferred tax liabilities | | 2,873,596 |
| Taxation | | 6,160 |
| | | <u>9,222,478</u> |
| Net effect of assets and liabilities | | <u><u>(20,247,701)</u></u> |
| Consideration received, satisfied in cash | | 6,500,000 |
| Cash at bank and on hand disposed of | | (226,529) |
| Net cash inflows | | <u><u>6,273,471</u></u> |

8. DIVIDENDS

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

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

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

The directors of the Company did not approve or pay any dividend in respect of the previous financial year during the year (2015: Nil).

9. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB14,583,909,000 (2015: loss of RMB4,435,683,000) and the weighted average of 43,966,100,000 ordinary shares (2015: 36,993,328,000 ordinary shares) in issue during the reporting period.

During the years ended 31 December 2016 and 2015, diluted loss per share is calculated on the same basis as basic loss per share.

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

| | 2016 <i>RMB'000</i> | 2015 <i>RMB'000</i> <i>Re-presented</i> |
|--|-------------------------------|---|
| From continuing operation | (88,278) | (1,372,365) |
| From discontinued operation | (14,495,631) | (3,063,318) |
| Loss attributable to ordinary equity shareholders | <u>(14,583,909)</u> | <u>(4,435,683)</u> |

10. INTANGIBLE ASSETS

| | Favourable term lease contract RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---------------------------|--------------------------|
| Cost: | | | |
| At 1 January 2015 | – | 11,123 | 11,123 |
| Exchange reserve | – | 690 | 690 |
| Addition from acquisition of business (i) | 6,486,667 | – | 6,486,667 |
| At 31 December 2015 | 6,486,667 | 11,813 | 6,498,480 |
| At 1 January 2016 | 6,486,667 | 11,813 | 6,498,480 |
| Exchange reserve | – | 800 | 800 |
| At 31 December 2016 | 6,486,667 | 12,613 | 6,499,280 |
| Accumulated amortisation: | | | |
| At 1 January 2015 | – | – | – |
| Charge for the year (i) | (140,397) | – | (140,397) |
| At 31 December 2015 | (140,397) | – | (140,397) |
| At 1 January 2016 | (140,397) | – | (140,397) |
| Charge for the year (i) | (324,333) | – | (324,333) |
| At 31 December 2016 | (464,730) | – | (464,730) |
| Net book value: | | | |
| At 31 December 2015 | <u>6,346,270</u> | <u>11,813</u> | <u>6,358,083</u> |
| At 31 December 2016 | <u>6,021,937</u> | <u>12,613</u> | <u>6,034,550</u> |

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

- (i) In connection with the Acquisition, the Group (as lessee) entered into a 20 years lease agreement with market owners of the agriculture wholesale markets (as lessor), according to which the rent to be paid is favourable as compared with the fair value of market rent. As at the acquisition date on 27 July 2015, the Group recognized the favourable term lease contract as an intangible asset at its fair value amounting to RMB6,486,667,000 which is amortized on a straight-line basis over the contractual life of the lease agreements. The amortization charge for the year of RMB324,333,000 (2015: RMB140,397,000) is included in other operating expenses in the consolidated statement of profit or loss.

11. GOODWILL

| | <i>RMB'000</i> |
|---|---|
| Cost: | |
| At 1 January 2015 | 363,792 |
| Addition acquired through the Acquisition (i) | 1,519,330 |
| | <hr/> |
| At 31 December 2015 | 1,883,122 |
| | <hr style="border-top: 1px dashed black;"/> |
| At 1 January 2016 | 1,883,122 |
| Disposal of discontinued operation (Note 7(b)) | (363,792) |
| | <hr/> |
| At 31 December 2016 | 1,519,330 |
| | <hr style="border-top: 1px dashed black;"/> |
| Accumulated impairment losses: | |
| At 1 January 2015 | – |
| Impairment loss for 2015 (i) | (1,132,950) |
| | <hr/> |
| At 31 December 2015 and 31 December 2016 | (1,132,950) |
| | <hr style="border-top: 1px dashed black;"/> |
| Carrying amount: | |
| At 31 December 2015 | 750,172 |
| | <hr style="border-top: 3px double black;"/> |
| At 31 December 2016 | 386,380 |
| | <hr style="border-top: 3px double black;"/> |

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

12. TRADE RECEIVABLES AND OTHER ASSETS

| | <i>Note</i> | 2016 RMB'000 | 2015 <i>RMB'000</i> |
|------------------------------------|-----------------|-------------------------------|------------------------|
| Trade receivables | <i>(i)/(ii)</i> | – | 482,689 |
| Bank deposits | | – | 65,616 |
| Deposits for acquisition | <i>(iv)</i> | 400,000 | 110,000 |
| Amounts due from related parties | | 1,400,060 | 32,024 |
| Others | | 52,610 | 165,271 |
| | | 1,852,670 | 855,600 |
| Less: allowance for doubtful debts | <i>(iii)</i> | – | (157,537) |
| | | 1,852,670 | 698,063 |
| Representing: | | | |
| — Non-current | | – | 261,642 |
| — Current | | 1,852,670 | 436,421 |
| | | 1,852,670 | 698,063 |

Trade receivables and other assets in relation to discontinued operation were disposed of during the year (see Note 7(b)).

(i) Trade receivables arose from the transfer of operation rights

| | 2016 RMB'000 | 2015 <i>RMB'000</i> |
|------------------------------------|-------------------------------|------------------------|
| Within one year | – | 68,584 |
| Over one year | – | 414,105 |
| | – | 482,689 |
| Less: allowance for doubtful debts | – | (157,537) |
| | – | 325,152 |

(ii) Ageing analysis

Included in trade receivables and other assets are trade receivables with the following ageing analysis as of the end of the reporting period:

| | 2016 RMB'000 | 2015 <i>RMB'000</i> |
|--------------------|-------------------------------|------------------------|
| Within 6 months | – | 390 |
| 6 months to 1 year | – | 7,349 |
| More than 3 years | – | 474,950 |
| | – | 482,689 |

(iii) Impairment of trade receivables

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

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

| | 2016 <i>RMB'000</i> | 2015 <i>RMB'000</i> |
|------------------------------------|-------------------------------|------------------------|
| At 1 January | 157,537 | 22,117 |
| Disposal of discontinued operation | (157,537) | – |
| Impairment losses recognised | – | 135,420 |
| | <hr/> | <hr/> |
| At 31 December | – | 157,537 |
| | <hr/> <hr/> | <hr/> <hr/> |

(iv) Deposits for acquisition

The balance represents deposit for acquisition of new projects in the PRC. The balance as at 31 December 2015 was disposed of during the year (see Note 7(b)).

13. TRADE AND OTHER PAYABLES

| | <i>Note</i> | 2016 <i>RMB'000</i> | 2015 <i>RMB'000</i> |
|-------------------------------------|--------------|-------------------------------|------------------------|
| Receipts in advance | | 141,639 | 999,234 |
| Construction payables | <i>(ii)</i> | 83,543 | 1,638,699 |
| Other taxes payable | | 6,854 | 142,940 |
| Deposits | <i>(iii)</i> | 133,253 | 805,312 |
| Amounts due to related parties | | 1,560,243 | 1,241,681 |
| Salary and welfare expenses payable | | 17,801 | 26,137 |
| Professional service fee payables | | 12,061 | 19,835 |
| Interest payable | | – | 105,268 |
| Others | | 14,343 | 178,130 |
| | | <hr/> | <hr/> |
| | | 1,969,737 | 5,157,236 |
| | | <hr/> <hr/> | <hr/> <hr/> |

(i) Trade and other payables in relation to discontinued operation were disposed of during the year (see Note 7(b)).

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

| | 2016 <i>RMB'000</i> | 2015 <i>RMB'000</i> |
|----------------------------------|-------------------------------|------------------------|
| Due within one year or on demand | 83,543 | 1,638,699 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

14. INTEREST-BEARING BORROWINGS

(i) Non-current interest-bearing borrowings comprise:

| | <i>Note</i> | 2016 RMB'000 | 2015 <i>RMB'000</i> |
|---|---------------|-------------------------------|------------------------|
| Senior notes | | – | 1,045,045 |
| Secured bank loans | | – | 5,198,548 |
| Secured loans from other financial institutions | | – | 500,000 |
| | | <hr/> | <hr/> |
| | | – | 6,743,593 |
| Less: current portion of long-term bank loans | <i>14(ii)</i> | – | (3,131,068) |
| current portion of long term loans from other financial institutions | <i>14(ii)</i> | – | (500,000) |
| current portion of senior notes | <i>14(ii)</i> | – | (1,045,045) |
| | | <hr/> | <hr/> |
| | | – | 2,067,480 |
| | | <hr/> <hr/> | <hr/> <hr/> |

All interest-bearing borrowings were repaid or disposed of (see Note 7(b)) during the year.

(ii) The short-term loans and borrowings comprise of:

| | <i>Note</i> | 2016 RMB'000 | 2015 <i>RMB'000</i> |
|---|--------------|-------------------------------|------------------------|
| Unsecured government loan | | – | 5,000 |
| Current portion of senior notes | <i>14(i)</i> | – | 1,045,045 |
| Current portion of long-term bank loans | <i>14(i)</i> | – | 3,131,068 |
| Current portion of long-term loans from other financial institutions | <i>14(i)</i> | – | 500,000 |
| | | <hr/> | <hr/> |
| | | – | 4,681,113 |
| | | <hr/> <hr/> | <hr/> <hr/> |

(iii) The bank loans, loans from other financial institutions and government loan are repayable as follows:

| | 2016 RMB'000 | 2015 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Within one year or repayable on demand | – | 3,636,068 |
| Between one and two years | – | 716,980 |
| Between two and five years | – | 1,127,500 |
| After five years | – | 223,000 |
| | <hr/> | <hr/> |
| | – | 5,703,548 |
| | <hr/> <hr/> | <hr/> <hr/> |

15. SHARE CAPITAL

| | 2016 | | 2015 | |
|--|--------------------------|----------------|--------------------------|---------|
| | Number of shares '000 | RMB'000 | Number of shares '000 | RMB'000 |
| Authorised: | | | | |
| Ordinary shares of HKD0.01 each | 80,000,000 | | 80,000,000 | |
| Issued and fully paid: | | | | |
| At 1 January | 43,966,100 | 366,604 | 21,148,132 | 186,376 |
| Shares issued under rights issue (i) | – | – | 10,574,066 | 83,592 |
| Shares issued for acquisition of business (ii) | – | – | 12,243,902 | 96,636 |
| At 31 December | 43,966,100 | 366,604 | 43,966,100 | 366,604 |

(i) Shares issued under rights issue

The Group proposed issuance of rights shares at a subscription price of HKD0.32 each on the basis of one rights share for every two existing shares on 9 December 2014. Total number of 10,574,066,000 ordinary shares with par value of HKD0.01 each, have been issued on 8 January 2015.

(ii) Shares issued for acquisition of business

On 27 July 2015, 12,243,902,439 consideration shares with par value of HKD0.01 per share were issued and allotted to Yield Smart Limited as part of the acquisition's consideration for the acquisition of the agriculture wholesale markets business in 2015.

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year until 8 July 2016, the Group operated two businesses, namely the underground shopping mall business and the agriculture business. However, subsequent to the very substantial disposal of majority of the Group's underground shopping malls, the Group's principal business has been focused on the operation of agriculture wholesale markets in PRC since 8 July 2016.

Details of the Very Substantial Disposal are described under the paragraph titled "Major Events" below.

The agriculture business

As at 31 December 2016, the Group operates 8 agriculture wholesale markets in 6 cities in the PRC.

| Agriculture wholesale market | Location | GFA (sq.m) (note 1) | 2016 Revenue RMB'000 |
|--|---|---------------------------|----------------------------|
| China Shouguang Agricultural Produce Logistics Park | Shouguang city, Shandong province | 537,003 | 161,775 |
| Guiyang Agricultural Produce Logistics Park | Guiyang city, Guizhou province | 173,620 | 150,479 |
| Harbin Hada Agricultural Produce Market | Harbin city, Heilongjiang province | 185,035 | 318,029 |
| Harbin Youyi Agricultural Produce Market | Harbin city, Heilongjiang province | 17,952 (note 2) | 21,958 |
| Qiqihar Hada Agricultural Produce Market | Qiqihar city, Heilongjiang province | 49,106 (note 3) | 75,232 |
| Muda International Agricultural Produce Logistics Park | Mudanjiang city, Heilongjiang province | 116,758 | 43,565 |
| Shenyang Shouguang Dili Agricultural By-Products Markets | Shenyang city, Liaoning province | 235,123 (note 4) | 230,727 |
| Total | | <u>1,314,597</u> | <u>1,001,765</u> |

Notes:

1. The land and properties of the respective markets are not owned by the Group. Except for those specifically stated in the notes below, all such land and properties are leased by the respective owners, associated entities controlled by the Group's controlling shareholder, to the Group for the operation of the market under a framework lease agreement (the "Framework Lease Agreement") entered into between the vendor of the acquisition and the Group. Pursuant to the Framework Lease Agreement, the annual rent for all the markets listed above shall be RMB100 million per year commencing from 27 July 2015 to 31 December 2018, exclusive of operating charges, property tax and other outgoings.
2. Among the total GFA of approximately 17,952 sq.m, approximately 15,552 sq.m are leased from the associated entity controlled by the Group's controlling shareholder and approximately 2,400 sq.m are leased from the independent third party landlords.
3. Among the total GFA of approximately 49,106 sq.m, approximately 40,175 sq.m are leased from the associated entity controlled by the Group's controlling shareholder and approximately 8,931 sq.m are leased from the independent third party landlords.
4. Among the total GFA of approximately 235,123 sq.m, approximately 149,931 sq.m are leased from the associated entity controlled by the Group's controlling shareholder and approximately 85,192 sq.m are leased from the independent third party landlords.

Major Events

Very Substantial Disposal

The Company made an announcement on 31 December 2015 and made a further announcement on 25 February 2016 that the Group failed to fulfil certain requirements under a syndicated loan of USD300 million due to various lenders (the "Syndicated Loan") as of 31 December 2015. Although the Group has not yet received any formal notice of default or acceleration of the Syndicated Loan, if the waivers, consents and extensions sought by the Group are not being granted, the lenders of the Syndicated Loan may at any time demand immediate repayment of the Syndicated Loan prior to its original maturity date.

As a result, the Company assessed and explored the feasibility of disposing certain underground shopping malls projects held by the Group by way of tender and DTZ Cushman & Wakefield ("DTZ") had been appointed as the sole agent to explore the market interest and to advise the Company on the intended sale of the Group's shopping malls.

The assets subject to the tender sale comprise of (i) all 23 completed shopping malls; (ii) 11 shopping malls under construction; and (iii) 10 shopping malls at the planning stage with relevant construction approvals obtained (the "Disposal Properties"). The total GFA of the Disposal Properties amounted to approximately 4.1 million sq.m. and the total GFA of the completed Disposal Properties managed by the Group amounted to approximately 1.3 million sq.m. 9 projects which are at the planning stage with construction approvals obtained will remain in the Group subsequent to the completion of the very substantial disposal of assets.

On 18 March 2016, the Company announced the commencement of the Tender for the sale of the Disposal Properties to potential bidder(s) which was expected to close on or around 20 April 2016 (the “Tender”). As a standby arrangement for the Company in the event of unsuccessful tender, on 18 March 2016, Apex Assure Limited (“Apex”), a company wholly-owned by Mr. Dai Yongge (the director and substantial shareholder of the Company), had entered into the Option Deed with the Company, pursuant to which the Company was granted a put option to sell all the Disposal Properties to Apex and Apex should assume all Disposal Properties Payable accrued up to and including the date of Completion (amounted to approximately RMB9,640 million as at 31 December 2015) for a cash consideration of USD1,000 million (approximately RMB6,500 million), which is equivalent to the Complete Disposal Minimum Price under the Tender (the “Put Option”). On the same date, the Company exercised the Put Option and the Completion contemplated thereunder was subject to the conditions precedent stated in the Option Deed had been occurred, fulfilled or waived (as appropriate) which included, among others, the occurrence of the Unsuccessful Tender.

On 21 April 2016, the Company announced that the Tender was closed on 20 April 2016. During the period of the Tender, DTZ had marketed the Disposal Properties extensively and approached a wide range of sizable institutional investors including asset management companies, insurance companies, private equity real estate funds and property developers to solicit their interests on the Disposal Properties. Despite the effort, the Company did not receive any letter of interest under the Tender. As such, the Unsuccessful Tender occurred and the Company proceeded to fulfill other conditions of the Put Option. The Disposal contemplated under the Put Option constituted a very substantial disposal (the “Very Substantial Disposal”) and connected transaction of the Company under the Listing Rules and was subject to, among others, the Independent Shareholders’ Approval being obtained in the Extraordinary General Meeting (the “EGM”).

On 29 April 2016, the Company dispatched the Circular regarding (1) Very Substantial Disposal and Connected Transaction and (2) Notice of EGM.

On 18 May 2016, the Company announced that the ordinary resolution as set out in the EGM Notice contained in the Circular was duly passed by the Independent Shareholders by way of poll at the EGM held on 18 May 2016.

On 11 July 2016, the Company announced that all the conditions precedent for the Completion have occurred, fulfilled or waived (as appropriate) and the Completion took place on 8 July 2016 and all the outstanding balance of the Syndicated Loan, together with the accrued interests, had been fully repaid.

For further details and definition of terms, please refer to the following announcements published by the Company:

- Announcements dated 31 December 2015 — Inside Information relating to non-fulfilment of conditions of loan agreement
- Announcement dated 25 February 2016 — Recent development and intention to dispose of certain underground shopping malls by way of tender

- Announcement dated 18 March 2016 — (i) Proposed disposal of certain underground shopping malls by way of tender; and (ii) potential very substantial disposal and connected transaction
- Announcement dated 21 April 2016 — Result of the Tender and delay in dispatch of circular
- Announcement and Shareholders' Circular dated 29 April 2016 — (i) Very substantial disposal and connected transaction; and (ii) Notice of EGM
- Announcement dated 18 May 2016 — Poll results of the extraordinary general meeting
- Announcement dated 11 July 2016 — Completion of very substantial disposal and connected transaction

Repayment of all the offshore loans

Subsequent to the Completion of the Very Substantial Disposal and receipt of the consideration of USD1,000 million from the Purchaser, as at 31 December 2016, the Group has utilized USD540.5 million and HKD1.690 million for the repayment of the following offshore loans:

- (i) full repayment of the USD250 million and HKD390 million term loan facility with a syndicate of banks as the lenders on 8 July 2016;
- (ii) full repayment of the USD100 million bilateral term loan facility on 25 July 2016;
- (iii) full repayment of HKD1,300 million loan on 8 July 2016 due to Mr. Dai Yongge who on behalf of the Group to repay a short-term bridge loan facility due on 21 June 2016; and
- (iv) through series of repayment, the USD190.5 million debt obligation assumed by the Company in connection with the acquisition of the agriculture market business completed in July 2015 had been fully settled by 31 December 2016.

As at 31 December 2016, the Group had neither offshore debts nor onshore debts in hands and was in a net cash position. For details, please refer to the section headed "Liquidity and Financial Resources" below.

FINANCIAL REVIEW

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

Since the Group only acquired the agriculture business on 27 July 2015, the comparative figures in last year represented the operating activities from 27 July 2015 to 31 December 2015, around 5 months operation.

Continuing operation — agriculture business

Revenue

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

For the year ended 31 December 2016, the Group recorded a consolidated revenue of approximately RMB1,001.8 million, as compared with RMB386.6 million in 2015.

Commission income grew by 166.1% to RMB758.3 million this year as compared to RMB285.0 million last year while lease income grew by 139.6% to RMB243.5 million this year from RMB101.6 million last year.

| | 2016 | 2015 | Change | Change |
|-------------------|-----------------------|--------------------|--------------------|----------|
| | <i>RMB'million</i> | <i>RMB'million</i> | <i>RMB'million</i> | <i>%</i> |
| Commission income | 758.3 | 285.0 | 473.3 | 166.1 |
| Lease income | 243.5 | 101.6 | 141.9 | 139.6 |
| Total | <u>1,001.8</u> | <u>386.6</u> | <u>615.2</u> | 159.1 |

Commission income

Commission income increased by 166.1% to RMB758.3 million this year as compared to RMB285.0 million last year which was mainly due to the full year effect this year. In addition, commission rate was revised upwards in certain markets.

Lease income

Lease income rose by 139.6% to RMB243.5 million from RMB101.6 million last year which was mainly due to the full year effect this year.

Gross Profit

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

Other income

Other income mainly comprised market service fee income of RMB126.6 million. (2015: RMB44.5 million). The increase mainly represented full year effect as compared to 5-months of operation in last year.

Administrative expenses

Administrative expenses mainly comprised of staff cost, depreciation and trip expenses. The increase was mainly due to full year effect this year.

Other operating expenses

Other operating expenses mainly comprised amortization of intangible assets of RMB324.3 million (2015: RMB140.4 million) arose from the acquisition of the agriculture business and the operating lease expenses of RMB116.9 million (2015: RMB43.3 million) for leasing the properties (including land and buildings) to facilitate the on-going operations of the agriculture business in accordance with the Framework Lease Agreement entered during the acquisition of the agriculture business. The increase was due to the full year effect this year.

Finance income

Finance income mainly represented the bank interest income earned from the agriculture business operation.

Finance expenses

Finance expenses mainly arose from the assumption of the loan of the vendor during the acquisition of the agriculture business in July 2015.

Loss from discontinued operation

The loss from discontinued operation arose from the disposal of all the 23 completed shopping malls, all the 11 shopping malls under construction and 10 shopping malls at the planning stage at a consideration of USD1 billion (around RMB6.5 billion).

Profit guarantee

On 9 June 2015, the Company entered into the Acquisition Agreement with the Vendor regarding the agriculture business, pursuant to the Acquisition Agreement, the Vendor, has warranted and guaranteed to the Company that the net profit before amortization of intangible assets and after tax of the Target Group as shown in the management accounts (i) for the financial year ending 31 December 2015 will not be less than RMB500 million assuming the Reorganization has taken place from the very first day of the financial period in relation to the financial year ending 31 December 2015 and (ii) for the financial year ending 31 December 2016 will not be less than RMB600 million, each of RMB500 million and RMB600 million (the “Profit Guarantee”). For the purpose of the Profit Guarantee, the aggregate Guaranteed Amount for the two years ending 31 December 2016 shall not be less than RMB1,100 million (the “Aggregated Guaranteed Amount”). Please refer to our circular dated 29 June 2015 for further details and definition of terms.

According to the management accounts of the Target Group for the financial years ended 31 December 2016 and 31 December 2015, which was prepared in accordance with International Financial Reporting Standards and reviewed by an independent audit firm in accordance with the Hong Kong Standard on Review Engagements 2400 (Revised) “Engagements to Review Historical Financial Statements”, the net profit before amortization of intangible assets and after tax of the Target Group for the financial years ended 31 December 2016 and 31 December 2015 was RMB597.1 million and RMB539.7 million respectively. Therefore, the aggregate profit for the two years ending 31 December 2016 was RMB1,136.8 million which exceeded the Aggregate Guaranteed Amount of RMB1,100 million.

Liquidity and Financial Resources

As at 31 December 2016, total assets of the Group amounted to RMB10,490.7 million as compared with RMB38,235.9 million as at 31 December 2015. With the completion of the disposal of the shopping mall business on 8 July 2016, the total assets of the Group reduced significantly after then.

In terms of financial resources as at 31 December 2016, the Group’s total cash at bank and on hand was RMB1,465.0 million (as at 31 December 2015: RMB908.4 million).

As the transaction was completed on 8 July 2016 and the total consideration of USD1 billion have been received. In addition to settle the outstanding balance of the Syndicated Loan, some of other outstanding bank loans and short term advance have also been settled. The liquidity and financial position of the Group improved significantly since then.

The gearing ratio as at 31 December 2016, which is calculated by dividing the total interest-bearing borrowings by total assets was NIL as compared to 17.6% as at 31 December 2015.

The Group services its debts primarily with recurring cash flow generated from its operation. Together with the proceeds raised from disposal of the shopping mall business, we are confident that we should have adequate financial resources to meet its future debt repayment and support its working capital and future expansion requirements.

Foreign Exchange Rate Risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People’s Bank of China (the “PBOC”) or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies. Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) and must be arranged through the PBOC with government approval.

All cash and bank balances of the Group denominated in Renminbi were placed in banks in Hong Kong and the PRC. Renminbi is not freely convertible and the remittance of earnings to overseas is subject to exchange control promulgated by the PRC government. All the revenue-generating operations of the Group are transacted in Renminbi. The Group also kept certain bank balances in Hong Kong which are denominated in US dollar or HK dollar and the senior notes are denominated in US dollar. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of our subsidiaries (Renminbi) in the PRC and functional currency of the overseas group entities (Hong Kong dollar). Depreciation or appreciation of the Renminbi and Hong Kong dollar against foreign currencies can affect the Group's results. The Group currently does not hedge our foreign exchange risk but may do so in the future.

Capital Commitments

As at 31 December 2016, the future capital expenditure for which the Group had contracted but not provided for in respect of continuing operation amounted to approximately RMB11.7 million (31 December 2015: Nil) while the future capital expenditure for which the Group had authorized but not contracted for in respect of continuing operation amounted to approximately RMB8.0 million (31 December 2015: Nil).

Human Resources

As at 31 December 2016, the Group employed 2,109 staff members (31 December 2015: 3,416). The Group's employees are remunerated according to the nature of job, individual performance and market trends with built-in merit components. Total remuneration for the year ended 31 December 2016 was approximately RMB305.8 million (2015: approximately RMB281.8 million). We have established a training programme that aims to support and encourage members of our management team to continue improving their management skills, including arranging for seminars and their skills and develop their careers. We provide orientation training as well as on-the-job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development. Employees in Hong Kong participate in Mandatory Provident Fund scheme, and employees in Mainland China also participate in similar schemes.

PROSPECTS AND OUTLOOK

Agriculture business

With the successful completion of the Very Substantial Disposal, the Group's cashflow position has been significantly improved. The Group was in net cash position as at 31 December 2016.

The existing 8 agriculture wholesale markets provide the Group with stable and steady business and cashflow. For the short-term development, we will focus on enhancing the efficiency of the existing markets. We will upgrade the settlement system with modern technology at the markets, install information system to collect and utilize useful data generated from the activities in our market and to diversify the product range traded at our markets, so to better serve the market users.

The China agriculture sector is enormous. There are ample potential business opportunities along the entire value chain. With the resources in hand, we will look for opportunities to further build our wholesale market network. Our long term goal is to become the best operator of agriculture wholesale market with significance presence in China.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "Code"). The primary duty of the audit committee is to review and supervise the financial reporting process, risk management and internal control systems of the Group. The audit committee is comprised of three independent non-executive directors. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2016.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Since listing, the Company had adopted the code provisions as set out in the Code, save and except for the following:

Code Provision A.2.7

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

Code Provision A.5.2

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

Code Provision A.6.7 and E.1.2

The Chairman of the Company, certain independent non-executive directors and other non-executive directors did not attend the Annual General Meeting and EGM held on 18 May 2016 due to other business commitments or being overseas. In absence of the Chairman, Mr. Wang Hongfang, an executive director of the Company, acted as the Chairman of the Annual General Meeting and EGM. The Board will finalize and inform the date of the Annual General Meeting and EGM as earliest as possible to make sure that the Chairman and other non-

executive directors (including independent non-executive directors) would attend the Annual General Meeting and EGM of the Company in the future.

Save as disclosed above, there has been no deviation from the code provisions of the Code by the Company for the year ended 31 December 2016.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as the guidelines for the directors’ dealings in the securities of the Company. Upon specific enquiries of all the directors, each of them confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2016 in relation to their securities dealings, if any.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company is proposed to hold on 22 June 2017. Notice of the Annual General Meeting will be published and despatched to the shareholders in due course.

By order of the Board
Renhe Commercial Holdings Company Limited
Dai Yongge
Chairman

Hong Kong, 28 March 2017

As at the date of this announcement, the Board consists of Mr. Dai Yongge, Mr. Wang Hongfang and Mr. Dai Bin as executive directors, Mrs. Hawken Xiu Li, Ms. Jiang Mei, Ms. Zhang Xingmei, Mr. Zhang Dabin and Ms. Wang Chunrong as non-executive directors and Mr. Fan Ren-Da, Anthony, Mr. Wang Shengli, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man as independent non-executive directors.

* *For identification purpose only*