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China New City Commercial Development Limited

中國新城市商業發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1321)

**MAJOR TRANSACTION IN RELATION TO
ACQUISITION OF FURTHER EQUITY INTEREST IN ZHEJIANG
XINNINGDOU INVOLVING ISSUE OF CONSIDERATION SHARES BY
THE COMPANY UNDER SPECIFIC MANDATE**

A letter from the Board is set out on pages 5 to 17 of this circular.

30 November 2018

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DEFINITIONS

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

“Acquisition”	the acquisition by Zhong An Shenglong of the Sale Interest from Hangzhou Oriental subject to and upon the terms and conditions of the Equity Transfer Agreement
“associates”	shall have the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or public holiday, on which banks in Hong Kong are open for business generally
“close associate”	has the meaning given to it in the Listing Rules
“Company”	China New City Commercial Development Limited (中國新城市商業發展有限公司), an exempted company incorporated in the Cayman Islands with limited liabilities, whose issued shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Equity Transfer Agreement in accordance with its terms
“connected person(s)”	has the meaning given to it in the Listing Rules
“Consideration”	the consideration payable by Zhong An Shenglong to Hangzhou Oriental pursuant to the Equity Transfer Agreement
“Consideration Shares”	the 178,280,000 new Shares to be allotted and issued by the Company at the issue price of HK\$2.47 per Consideration Share, credited as fully paid, for the purpose of settling the Consideration
“controlling shareholder”	has the meaning given to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Enlarged Group”	the Group as enlarged by the acquisition of Zhejiang Xinnongdou

DEFINITIONS

“Equity Transfer Agreement”	the conditional equity transfer agreement dated 20 July 2018 entered into between Hangzhou Oriental as vendor and Zhong An Shenglong as purchaser in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hangzhou Oriental”	Hangzhou Oriental Culture Tourism Group Co., Ltd* (杭州東方文化園旅業集團有限公司), a limited liability company established in the PRC
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Ideal World”	IDEAL WORLD INVESTMENTS LIMITED, a company incorporated in the British Virgin Islands with limited liability and the controlling shareholder of the Company
“independent third party(ies)”	party which is not a connected person of the Company and “independent third parties” shall be construed accordingly
“Last Trading Date”	19 July 2018, being the last trading day immediately prior to the signing of the Equity Transfer Agreement
“Latest Practicable Date”	26 November 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Previous Equity Transfer Agreement”	the equity transfer agreement dated 21 August 2017 entered into between Hangzhou Oriental as vendor and Zhong An Shenglong as purchaser in relation to the acquisition by Zhong An Shenglong of 19.85% of the entire equity interests in Zhejiang Xinnongdou from Hangzhou Oriental (which was completed on 29 August 2017)
“RMB”	Renminbi, the lawful currency of the PRC

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“Sale Interest”	the 22.65% of the entire equity interests in Zhejiang Xinnongdou held by Hangzhou Oriental
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate sought from the Shareholders as set out in “Written Shareholders’ Approval” in this circular for the allotment and issue of the Consideration Shares in contemplation of the Acquisition upon Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning given to it in the Listing Rules
“Whole Good”	Whole Good Management Limited (全好管理有限公司), a company incorporated in the British Virgin Islands and wholly owned by Mr. Shi Kancheng, the chairperson of the Board and a non-executive Director
“Zhejiang Xinnongdou”	Zhejiang Xinnongdou Industrial Co., Ltd* (浙江新農都實業有限公司), a limited liability company established in the PRC
“Zhejiang Xinnongdou Group”	Zhejiang Xinnongdou and its direct or indirect subsidiaries, associated companies and branch offices
“Zhong An”	Zhong An Real Estate Limited (眾安房產有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange

DEFINITIONS

“Zhong An Shenglong” Zhejiang Zhongan Shenglong Commercial Co., Ltd.* (浙江眾安盛隆商業有限公司), an indirect non-wholly owned subsidiary of the Company established in the PRC

“%” per cent.

** For identification purpose only. The English translation of Chinese names or words in this circular, where indicated, are included for identification purpose only and should not be regarded as the official English translation of such Chinese names or words.*

LETTER FROM THE BOARD



China New City Commercial Development Limited

中國新城市商業發展有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1321)

Executive Directors:

Mr. Dong Shuixiao

Ms. Jin Ni

Ms. Tang Yiyan

Non-executive Director:

Mr. Shi Kancheng

Independent Non-executive Directors:

Mr. Ng Sze Yuen, Terry

Mr. Xu Chengfa

Mr. Yim Chun Leung

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Wanchai

Hong Kong

30 November 2018

To the Shareholders,

Dear Sir/Madam,

**MAJOR TRANSACTION IN RELATION TO
ACQUISITION OF EQUITY INTERESTS IN ZHEJIANG XINNINGDOU
INVOLVING ISSUE OF CONSIDERATION SHARES BY THE COMPANY
UNDER SPECIFIC MANDATE**

INTRODUCTION

Reference is made to the joint announcements of Zhong An and the Company dated 21 August 2017 and 29 August 2017 in relation to the acquisition by Zhong An Shenglong (an indirect non-wholly owned subsidiary of the Company) of 19.85% of the entire equity interest in Zhejiang Xinnongdou from Hangzhou Oriental and the joint announcement of Zhong An and the Company dated 20 July 2018 in relation to the acquisition by Zhong An Shenglong of an additional 22.65% of the entire equity interest in Zhejiang Xinnongdou from Hangzhou Oriental. Subject to Completion taking place, Zhong An Shenglong will own an aggregate of 42.5% of the entire equity interest in Zhejiang Xinnongdou.

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The main purpose of this circular is to provide you with, among other things, (i) details of the transactions contemplated under the Equity Transfer Agreement; (ii) financial information of the Group; (iii) financial information of Zhejiang Xinnongdou; (iv) unaudited pro forma financial information of the Enlarged Group; and (v) valuation report on the property interests held by the Zhejiang Xinnongdou's Group.

THE EQUITY TRANSFER AGREEMENT

Date: 20 July 2018

Parties:

- (1) Zhong An Shenglong, as purchaser
- (2) Hangzhou Oriental, as vendor

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiry, save for Hangzhou Oriental's equity interest in Zhejiang Xinnongdou (which is an associated company of the Company), Hangzhou Oriental and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be acquired: 22.65% of the entire equity interest in Zhejiang Xinnongdou held by Hangzhou Oriental

Consideration for the Acquisition: RMB352,994,400

The Consideration was determined after arm's length negotiations between Zhong An Shenglong and Hangzhou Oriental, with reference to the appraised asset value of all investment properties (with and without proper title certificates) of Zhejiang Xinnongdou as at 31 December 2017 as appraised by an independent qualified valuer in the PRC and the unaudited consolidated financial statements of Zhejiang Xinnongdou for the year ended 31 December 2017. The appraised asset value of all investment properties of Zhejiang Xinnongdou as at 31 December 2017 as appraised by the independent qualified valuer in the PRC amounted to approximately RMB4,119.2 million out of which the appraised asset value of the investment properties with proper title certificates amounted to approximately RMB3,045.3 million.

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The Consideration shall be settled by the allotment and issue of an aggregate of 178,280,000 the Consideration Shares by the Company at the issue price of HK\$2.47 each to Hangzhou Oriental or its designated nominee (which must be an independent third party) (the “**Allottee**”).

The Consideration Shares represent (i) approximately 9.72% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) based on the assumption as set out in the table under “Effects on the Shareholding Structure of the Company” below, approximately 8.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be issued pursuant to the Specific Mandate sought from the Shareholders. The Consideration Shares will rank equally with the Shares in issue on the date of their allotment and issue.

The issue price of HK\$2.47 per Consideration Share represents:

- (i) a premium of approximately 123% over the closing price of HK\$1.11 per Share as quoted on the Stock Exchange on 20 July 2018, being the date of the Equity Transfer Agreement;
- (ii) a premium of approximately 113% over the average closing price of approximately HK\$1.16 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 115% over the average closing price of approximately HK\$1.15 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day; and

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- (iv) a premium of approximately 93% over the average closing price of approximately HK\$1.28 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day.

The issue price of HK\$2.47 per Consideration Share was arrived at by the Company and Hangzhou Oriental after arm's length negotiation and taking into account the prevailing trading prices of the Shares.

Application has been made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares, which will be issued upon Completion, are subject to the conditions as set out in the paragraph headed "The Equity Transfer Agreement – Conditions" below having been fulfilled and Completion having taken place.

Conditions:

Completion of the Equity Transfer Agreement is subject to the fulfillment of, among others, the following conditions precedent:

- (i) (if required) Zhong An and the Company having obtained the approval by their respective shareholders at extraordinary general meetings in respect of the transactions contemplated under the Equity Transfer Agreement;
- (ii) the Listing Committee granting the listing of, and permission to deal in, the Consideration Shares;

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- (iii) Zhong An Shenglong having notified all other shareholders of Zhejiang Xinnongdou in respect of the Acquisition and the transactions contemplated under the Equity Transfer Agreement, and all necessary approval by the respective boards of directors and shareholders of Zhong An Shenglong and Zhejiang Xinnongdou and the relevant government approval authority(ies) for the transfer of the Sale Interest to Zhong An Shenglong (including but not limited to the waiver of pre-emptive rights by the other shareholders of Zhejiang Xinnongdou over the Sale Interest) having been obtained by Zhong An Shenglong and Zhejiang Xinnongdou; and
- (iv) Zhong An Shenglong being satisfied with the results of its due diligence review on the assets, liabilities, financial, tax and business of the Zhejiang Xinnongdou Group and the Sale Interest.

In the event that any of the above conditions are not fulfilled or waived by Zhong An Shenglong (other than conditions precedent (i) to (iii) above which may not be waived by Zhong An Shenglong) on or before 31 December 2018 (or such other period as mutually agreed by the parties), the Equity Transfer Agreement shall lapse and cease to have effect. Save as otherwise provided in the Equity Transfer Agreement, neither party shall have any obligations and liabilities against each other except for any antecedent breaches of the provisions of the Equity Transfer Agreement.

Other principal terms:

- (i) If any representations, warranties or undertakings provided by Hangzhou Oriental under the Equity Transfer Agreement are false, inaccurate or concealed, or any material information in relation to the Zhejiang Xinnongdou Group has not been accurately disclosed to Zhong An Shenglong, Zhong An Shenglong shall have the right to terminate the Equity Transfer Agreement.
- (ii) the Company will have the right to appoint three directors on to the board of directors of Zhejiang Xinnongdou, as well as the general manager and deputy general manager of the Zhejiang Xinnongdou Group.

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COMPLETION

Subject to the fulfilment (and/or waiver as the case maybe) of all the conditions precedent mentioned above, Completion shall take place on the 10th Business Day thereafter.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the allotment and issuance of all the Consideration Shares, for illustration purpose only:

<i>Shareholder</i>	As at the Latest Practicable Date		Immediately after the allotment and issuance of all the Consideration Shares	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<i>Connected persons</i>				
Ideal World (<i>Note 1</i>)	1,270,000,000	69.21	1,270,000,000	63.08
Whole Good (<i>Note 1</i>)	31,303,594	1.71	31,303,594	1.55
<i>Public</i>				
Allottee (<i>Note 2</i>)	–	–	178,280,000	8.86
Other public Shareholders	533,664,406	29.08	533,664,406	26.51
Sub-total:	533,664,406	29.08	711,944,406	35.37
Total:	1,834,968,000	100.00	2,013,248,000	100.00

Notes:

- Ideal World is a wholly owned subsidiary of Zhong An. The entire issued shares of Zhong An are owned as to about 56.15% by Whole Good, which is wholly owned by Mr. Shi Kancheng, the chairperson of the Board and a non-executive Director.
- According to the Equity Transfer Agreement, the Allottee to which the Consideration Shares are to be allotted and issued shall be Hangzhou Oriental or its designated nominee, which must be an independent third party (that is, the Allottee is not expected to be connected to the Company and its connected persons).
- The above chart assumes that there is no change to the issued share capital of, and the shareholding in, the Company from the Latest Practicable Date and up to the day on which the Consideration Shares are issued.
- All percentages as shown in the above chart are approximate figures.
- As disclosed in the above shareholding table, immediately after completion of the allotment and issuance of the Consideration Shares, a minimum of 25% of the issued share capital of the Company will be in public hands.

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INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

The purchaser

Zhong An Shenglong is an indirect non-wholly owned subsidiary of the Company and is principally engaged in property management.

The vendor

Hangzhou Oriental is a limited liability company established in the PRC on 18 January 2000 and is principally engaged in investment holding.

INFORMATION ON ZHEJIANG XINNONGDOU

Zhejiang Xinnongdou is a limited liability company established in the PRC on 8 May 2008 and is principally engaged in investment holding, trading of agricultural products, market operation and management.

As at 20 July 2018, the entire equity interest in Zhejiang Xinnongdou is owned as to 19.85% by Zhong An Shenglong, 22.65% by Hangzhou Oriental, and the remaining equity interest in Zhejiang Xinnongdou is held by two Independent Third Parties which are both ultimately owned by State-owned Assets Supervision and Administration Commission of Zhejiang Provincial People's Government* (浙江省人民政府國有資 監督管理委員會). The principal activities of the Zhejiang Xinnongdou Group are trading of agricultural products, market operation and management.

Financial Information of Zhejiang Xinnongdou

Based on the audited consolidated financial statements of Zhejiang Xinnongdou for the year ended 31 December 2016, the net asset value of Zhejiang Xinnongdou was approximately RMB1,415.1 million as at 31 December 2016, while the net profit before and after taxation and extraordinary items attributable to Zhejiang Xinnongdou for the year ended 31 December 2016 amounted to approximately RMB158.0 million and RMB89.7 million, respectively. Based on the audited consolidated financial statements of Zhejiang Xinnongdou for the year ended 31 December 2017, the net asset value of Zhejiang Xinnongdou was approximately RMB1,773.1 million as at 31 December 2017, while the net profit before and after taxation and extraordinary items attributable to Zhejiang Xinnongdou for the year ended 31 December 2017 amounted to approximately RMB90.0 million and RMB37.0 million, respectively.

Please refer to Appendix II of this circular for further financial information of Zhejiang Xinnongdou.

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PROPERTY VALUE RECONCILIATION

Ravia Global Appraisal Advisory Limited, an independent property valuer, has valued Zhejiang Xinnongdou Group's property interests with proper title certificates as at 31 August 2018 and is of the opinion that the market value of such properties in aggregate amounted to RMB3,320,000,000. The full text of the letter, summary of valuation and valuation certificates with respect to such property interests with proper title certificates are set out in Appendix IV to this circular.

Disclosure of the reconciliation of the valuation of Zhejiang Xinnongdou Group's property interests as required under Rule 5.07 of Listing Rules is set out below:

	<i>RMB'000</i>
Net book value of Zhejiang Xinnongdou Group's investment property interests as at 30 June 2018 as set out in accountant's report included in Appendix II	3,988,633
Add: Net book value of Zhejiang Xinnongdou Group's construction in progress under property and equipment as at 30 June 2018 as set out in accountant's report included in Appendix II	217,949
Less: Net book value of Zhejiang Xinnongdou Group's investment property interests without proper title certificates as at 30 June 2018*	(952,070)
Less: Disposal of Zhejiang Xinnongdou Group's investment properties during the period from 30 June 2018 to 31 August 2018 (unaudited)	(27,563)
Add: Valuation surplus	<u>93,051</u>
Valuation of Zhejiang Xinnongdou Group's property interests with proper title certificates as at 31 August 2018 as set out in the valuation report included in Appendix IV	<u><u>3,320,000</u></u>

- * Ravia Global Appraisal Advisory Limited is unable to perform valuation for investment property interests without proper title certificates as there is no proper title certificates and they cannot be transferred in the open market. Such properties can be transferred after proper title certificate or pre-sale certificate can be granted.

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REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Acquisition envisaged under the Equity Transfer Agreement would allow the Group to capture the business and development opportunities arising from, among others, the investment properties and construction in progress owned by Zhejiang Xinnongdou Group and the modern logistics platform for agricultural products. Modern logistics platform for agricultural products refers to an electronic commerce website that facilitates sourcing, trading (whether wholesale or retail), management and distribution of agricultural products with retail stores and/or for customer consumption, which can therefore enhance the efficiency of agricultural products circulation and the minimisation of costs.

Zhejiang Xinnongdou Group currently mainly operates four agricultural product logistics centres, including Hangzhou Xinnongdou Logistics Centre* (杭州市新農都物流中心)(“**Hangzhou Xinnongdou Logistics Centre**”) in Hangzhou, Zhejiang Province, the PRC, which commenced operation in January 2013, Zhejiang Xinnongdou Quzhou Wholesale Market* (浙江新農都衢州批發市場) (“**Quzhou Wholesale Market**”) in Quzhou, Zhejiang Province, the PRC, which commenced operation in December 2016, Zhejiang Xinnongdou Zhuji Logistics Centre* (浙江新農都諸暨物流中心) (“**Zhuji Logistics Centre**”) in Zhuji, Zhejiang Province, the PRC, which commenced operation in May 2017, and Zhejiang Xinnongdou Changxing Logistics Centre* (浙江新農都長興物流中心) (“**Changxing Logistics Centre**”) in Changxing, Zhejiang Province, the PRC, which commenced operation in December 2017. In addition, Zhejiang Xinnongdou Group has certain undeveloped land in Changxing, Zhejiang Province, which will be developed into phase II of Changxing Logistics Centre. The investment properties and construction in progress owned by the Zhejiang Xinnongdou Group amounted to approximately RMB3,988.6 million and RMB217.9 million as at 30 June 2018, respectively, and in aggregate represent approximately 80.3% of Zhejiang Xinnongdou Group’s total assets as at 30 June 2018.

All the properties owned (i.e. the Hangzhou Xinnongdou Logistics Centre, Quzhou Wholesale Market, Zhuji Logistics Centre and Changxing Logistics Centre) or undeveloped land of Zhejiang Xinnongdou Group are located within Zhejiang Province. Furthermore, all of such logistics centres are equipped with hotels. The Group is a renowned commercial property developer and operator in Yangtze River Delta region with headquarters in Hangzhou, Zhejiang Province, the PRC. The Group also owns and operates a number of major shopping malls and hotels in Zhejiang Province, the PRC.

LETTER FROM THE BOARD

The Acquisition will be beneficial to the Group's business in the long run due to: (1) (in respect of undeveloped land of Zhejiang Xinnongdou Group) the Group's experience in design, development and sales of commercial properties will strengthen Zhejiang Xinnongdou Group's property development capability, reduce construction cost, increase the efficiency and speed of the property development and improve the overall property values. Furthermore, the Group's experience in sales of commercial properties will also improve the ability of the developed properties for sale in the future; (2) (in respect of existing investment properties) the Group could help promote the sales of, and strengthen the confidence of property investors in, the Hangzhou Xinnongdou Logistics Centre, Quzhou Wholesale Market, Zhuji Logistics Centre and Changxing Logistics Centre, which in turn will gain from the Zhejiang Xinnongdou Group's property sales; (3) as set out above all logistics centres of Zhejiang Xinnongdou Group are equipped with hotel, the Group's hotel management team could assist in the management of such hotel business, which in turn improve the cost efficiency of the operation of such hotel business, improve the performance of the hotels and thereby increase revenue of the Zhejiang Xinnongdou Group; (4) the Group's experience in operation and management of properties, shopping malls and hotels could enhance the operational efficiency and performance of logistics centres of Zhejiang Xinnongdou Group and increase the revenue from rent and management fees generated from the logistics centres. The Group has over 1,000 employees in Zhejiang Province, who may assist in the business operation of the logistics centres, which will generate synergies for both parties. The Group initially plans to allocate about 10 employees to each logistics centres and the headquarters of Zhejiang Xinnongdou Group; (5) Zhejiang Xinnongdou Group modern logistic platform which could source agricultural product at competitive prices for wholesale may supplement the Group's hotel business by supplying cheaper agricultural products for the hotels' catering business, which will reduce food procurement cost. The agricultural products may also be sold to all residents living in the service apartments and tenants of the Group's commercial properties which are under the management of the Group, which will expand the value-added services provided to the residents and increase the sales revenue of agricultural products of the Zhejiang Xinnongdou Group and on the other hand allow the Group to gain the ability to introduce, provide or offer customer-oriented, wide-variety services, which in turn, helps strengthen the Group's corporate brand name and management; and (6) Zhejiang Xinnongdou, as a company controlled by State-owned Assets Supervision and Administration Commission of Zhejiang Provincial People's Government* (浙江省人民政府國有資 監督管理委員會), has advantages over private enterprises in terms of obtaining land. As such, the Group's commercial land portfolio for development may enhance in the long run through Zhejiang Xinnongdou Group given such advantages.

As disclosed in the section headed "Appendix I – Financial Information of the Group – 5. Financial and Trading Prospectus of the Group" of this circular, it is one of the Group's business plan to develop diversified new property projects and actively respond to the development opportunities brought by the urbanization in the PRC. The Acquisition will promote or supplement the Group's business due to the reasons set out above. As such, the Acquisition will allow the Group to diversify and expand its revenue source and can generate synergies for both the Group and Zhejiang Xinnongdou Group. All of these are conducive to the long term growth and sustainable development of the Group as a whole, and enhancing shareholder value in the long run.

LETTER FROM THE BOARD

Accordingly, the Directors consider that the terms of the Equity Transfer Agreement for the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECT OF THE TRANSACTIONS CONTEMPLATED UNDER THE EQUITY TRANSFER AGREEMENT

Upon Completion, Zhejiang Xinnongdou will become an associated company of the Company, and its financial results will not be consolidated into the accounts of the Company.

Based on the unaudited pro forma statement of assets and liabilities of the Group as set out in Appendix III to this circular, it is expected that upon Completion of the Acquisition, there will be (a) an increase in total assets of approximately RMB353.0 million, comprising investment in an associate. The details of the financial effect of the Acquisition on the financial position of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix III to this circular.

The results and assets and liabilities of Zhejiang Xinnongdou will be accounted for as an associate in the Company's consolidated financial statements using the equity method of accounting. Under the equity method of accounting, interest in an associate is initially recognised at cost and adjusted thereafter for the change in the Group's share of net assets of Zhejiang Xinnongdou. Dividend received from Zhejiang Xinnongdou will reduce the carrying value of the Group's investment in an associate. The earnings of the Group will include share of the profit and loss of Zhejiang Xinnongdou, which will depend on the actual financial performance of Zhejiang Xinnongdou. Given that it is expected there will not be any material transaction cost or administrative expense to be incurred for the Acquisition and save for the aforesaid effects from the Acquisition, the Company considers that there will not be any material effect on the earnings of the Group immediately upon the Acquisition.

In view of the established business network and the profitable financial performance of Zhejiang Xinnongdou in the previous years, it is anticipated that the Acquisition will improve the Group's financial and trading prospects in the future. For details of the unaudited pro forma financial information of the Enlarged Group immediately following completion of the Acquisition, please refer to Appendix III to this circular.

LETTER FROM THE BOARD

IMPLICATION UNDER THE LISTING RULES

As one of the applicable percentage ratios in respect of the transaction contemplated under the Equity Transfer Agreement, when aggregated with the transaction under the Previous Equity Transfer Agreement pursuant to Rule 14.22 of the Listing Rules, are more than 25% but below 75% for the Company, the transaction contemplated under the Equity Transfer Agreement will constitute a major transaction of the Company and be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Acquisition may be obtained by written Shareholders' approval without the need of convening a general meeting if:

- (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition; and
- (b) written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at the general meeting to approve the Acquisition.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders has any material interest in the Equity Transfer Agreement and the transactions contemplated thereby and therefore no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Equity Transfer Agreement and the transactions contemplated thereby.

Pursuant to Rule 14.44 of the Listing Rules, a written shareholder's approval for the Acquisition was obtained by the Company from Ideal World, which held approximately 69.21% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, no extraordinary general meeting of the Company will be convened for the purposes of approving the Equity Transfer Agreement and the transactions contemplated thereby.

LETTER FROM THE BOARD

Further and as required under Rule 14.41(a) of the Listing Rules, if a transaction (in the present case, the Acquisition) is approved or is to be approved by way of written shareholders' approval from a shareholder or a closely allied group of shareholders under Rule 14.44 of the Listing Rules, the circular for the transaction must be despatched to the shareholders within 15 business days after publication of the relevant announcement. The announcement for the Acquisition was issued by the Company jointly with Zhong An on 20 July 2018. The Company's circular containing information regarding, among others, the Acquisition should have been despatched by 10 August 2018. Due to the reasons as disclosed in the two announcements issued jointly by the Company and Zhong An on 9 August 2018 and 2 October 2018 (collectively, the "**Delay Announcements**"), the despatch of this circular was delayed. The delay was mainly caused by the delay in the provision of information by Zhejiang Xinnongdou to the Company's reporting accountants for compiling the accountants' report on Zhejiang Xinnongdou, the finalisation of the valuation report for the property interests held by Zhejiang Xinnongdou, and such delay has in turn resulted in the need of the Company to update the accountants' report on Zhejiang Xinnongdou to include its financial information for an extended stub period so as to comply with Rule 14.67(6)(a)(i) of the Listing Rules and other information of the Group (including the indebtedness statement) for inclusion in this circular. In order to allow sufficient time for the Company to finalise this circular, the Company has applied for, and the Stock Exchange has granted to the Company, waiver from strict compliance with the requirements under Rule 14.41(a) of the Listing Rules on condition that this circular must be despatched by 30 November 2018. Please refer to the Delay Announcements for details.

If the Company was to convene an extraordinary general meeting for the approval of the Equity Transfer Agreement and the transactions contemplated thereby and voting was required, the Directors would have recommended the Shareholders to vote in favour of such resolutions based on the reasons set out in this letter.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
China New City Commercial Development Limited
中國新城市商業發展有限公司
Shi Kancheng
Chairperson

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were set out in the relevant annual reports and interim report of the Company published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.chinanewcity.com.cn. Please also see below quick links to the relevant annual reports and interim report:

- Interim report of the Company for the six months ended 30 June 2018 published on 20 September 2018 (pages 20 to 82):

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0920/LTN20180920339.pdf>

- Annual report of the Company for the year ended 31 December 2017 published on 25 April 2018 (pages 95 to 243):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0425/LTN20180425365.pdf>

- Annual report of the Company for the year ended 31 December 2016 published on 27 April 2017 (pages 98 to 247):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN20170427411.pdf>

- Annual report of the Company for the year ended 31 December 2015 published on 12 April 2016 (pages 102 to 245):

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0412/LTN20160412252.pdf>

Each of the said consolidated financial statements of the Group is incorporated by reference to this circular and forms part of this circular.

2. INDEBTEDNESS

Borrowings

As at 30 September 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this indebtedness statement, the Group had outstanding indebtedness of approximately RMB3,175 million, consisting of current borrowings of approximately RMB1,993 million and non-current borrowings of approximately RMB1,182 million. Details of which are set out below:

	Secured and guaranteed <i>RMB' 000</i>	Unsecured but guaranteed <i>RMB' 000</i>	Unguaranteed but secured <i>RMB' 000</i>	Unsecured and unguaranteed <i>RMB' 000</i>	Total <i>RMB' 000</i>
Borrowings					
– Bank loans	97,960	–	2,267,800	–	2,365,760
– Other loans	–	–	810,000	–	810,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u> 97,960</u>	<u> –</u>	<u> 3,077,800</u>	<u> –</u>	<u> 3,175,760</u>

Contingent liabilities

As at 30 September 2018, the contingent liabilities of the Group was approximately RMB330.4 million, which was mainly the guarantee given by the Group in favour of certain banks for the grant of mortgage facilities to purchasers of the Group's properties.

Disclaimer

Save as disclosed above and apart from intra-group liabilities, the Group did not, as at the close of business on 30 September 2018, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that taking into account the Group's internal resources and the available banking facilities of the Group, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

4. NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has not been any material adverse changes in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The principal activity of the Company is investment holding, and through its subsidiaries, commercial property investment for leasing, commercial property development for sale and leasing and commercial property management in the PRC.

For the financial year ended 31 December 2017, the Group recorded an audited consolidated net profits after taxation of approximately RMB466.4 million and the audited consolidated net assets of the Group as at 31 December 2017 was approximately RMB6,008.4 million.

For the six months ended 30 June 2018, the Group recorded an unaudited consolidated net loss after taxation of approximately RMB70.7 million and the unaudited consolidated net assets of the Group as at 30 June 2018 was approximately RMB6,008.0 million.

Looking ahead into the second half of 2018, in light of the persistent control measures on the overall real estate market, protecting reasonable housing demand under the principle of "differentiated control" will be a major trend. It is expected that government supervision will be further strengthened, the real estate market will regain rationality. With the upgrading of consumption pattern, commercial real estate enterprises are seeking for development transformation with ever-emerging business models. The Group is rooted in the financially strong Yangtze River Delta Region with numerous advantages such as low-cost lands and segmented layout under the privileged policies, thus the Group strongly believe that its products will continue to be well received by the market.

The International Office Center (“IOC”) project is still the major development project of the Group. Benefiting from its strategic layout and low-cost lands that the Group had acquired in early years, the IOC project of the Group enjoys absolute geographical advantage and development potential in this segment. Qianjiang Century City(錢江世紀城), where IOC is located, and Qianjiang New Town(錢江新城) across the river are the new main city centers in Hangzhou. For the Qianjiang Century City segment, this project enjoys a spectacular river view with superior geographical advantages. The Hangzhou Olympic Sports Stadium which is adjacent to the project will host the 2022 Asian Games in future, which will fuel the further increase of the project value. The Group is of full confidence about the development prospect of the overall IOC project. With the gradual completion of IOC A3 project, the Group has commenced to prepare the development of Plot A2 of IOC, the construction of which will create sustainable impetus to property sales.

Highlong Plaza and Yintai shopping mall in Yuyao will continue to provide steadily increasing cash flow for the property leasing segment of the Group in the second half of the year. The business invitation of Xixi Manhattan, which is under construction, is expected to be launched in the second half of the year, which will further provide impetus to the property leasing segment of the Group. With the brand of Bright Hotel gradually established, the operation of hotel segment of the Group will witness steady improvement and it is expected that Qiandao Lake Bright Hotel and Huaibei Bright Hotel will continually contribute to the growth of revenue and profit of such segment in the second half of the year.

For new businesses, the Group will continue to explore and aim to achieve the development strategy of transforming into the asset-light, and management and operation-based enterprise, actively respond to the development opportunities brought by the urbanization in the PRC, promote and deepen industry internetization, and develop diversified new property projects. While controlling the stable development of the existing investment size of commercial complexes effectively, the Group will actively develop emerging industries such as leisure tourism, healthcare services, cultural and entertainment and modern agriculture.

PART A. ACCOUNTANTS' REPORT ON ZHEJIANG XINNONGDOU

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

The Directors
China New City Commercial Development Limited
Room 4003-4, 40/F.,
China Resources Building,
26 Harbour Road
Wanchai, Hong Kong

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Dear Sirs,

We report on the historical financial information of Zhejiang Xinnongdou Industrial Co., Ltd* (浙江新農都實業有限公司, the “**Target Company**”) and its subsidiaries (collectively referred to as the “**Target Group**”) set out on pages II-25 to II-89, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for each of the years ended 31 December 2015, 2016 and 2017, and the six months ended 30 June 2018 (the “**Relevant Period**”), and the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2015, 2016 and 2017, and 30 June 2018 and a summary of significant accounting policies and other explanatory information (the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-25 to II-89 forms an integral part of this report, which has been prepared for inclusion in the circular of China New City Commercial Development Limited (the “**Company**”) dated 30 November 2018 (the “**Circular**”) in connection with the proposed acquisition by Zhong An Shenglong Commercial Co., Ltd, a subsidiary of the Company, of 42.5% of the entire equity interests in the Target Company from Hangzhou Oriental Culture Tourism Group Co., Ltd.

Directors' Responsibility for the Historical Financial Information

The directors of the Target 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 set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is 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 (“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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 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 purposes of the accountants’ report, a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2015, 2016 and 2017, and 30 June 2018 and of the financial performance and cash flows of the Target Group for the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of Interim Comparative Financial Information

We have reviewed the interim comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2017 and other explanatory information (the “Interim Comparative Financial Information”). The directors of the Target Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-25 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Target Company in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

30 November, 2018

PART A. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 December 2015, 31 December 2016, 31 December 2017 and 30 June 2018

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(A) Consolidated Statements of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	Year ended 31 December			Six months ended 30 June	
		2015	2016	2017	2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(Unaudited)	
Revenue	5	128,401	136,949	169,074	54,062	94,860
Cost of sales	7	(54,096)	(42,004)	(60,498)	(17,300)	(25,518)
Gross profit		74,305	94,945	108,576	36,762	69,342
Other income and gains	5	26,948	256,427	285,018	88,376	121,898
Selling and distribution expenses		(47,618)	(57,960)	(99,806)	(58,405)	(62,354)
Administrative expenses		(70,674)	(80,632)	(92,000)	(45,190)	(41,417)
Other expenses		(1,282)	(1,347)	(1,825)	(207)	(130)
Finance costs	6	(88,627)	(73,514)	(119,253)	(59,390)	(54,452)
Changes in fair value of investment properties		171,315	20,092	9,241	(51)	48,155

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

	<i>Notes</i>	Year ended 31 December			Six months ended 30 June	
		2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>
PROFIT/(LOSS)						
BEFORE TAX		64,367	158,011	89,951	(38,105)	81,042
Income tax expense	10	<u>(32,913)</u>	<u>(68,341)</u>	<u>(52,988)</u>	<u>(8,461)</u>	<u>(47,113)</u>
PROFIT/(LOSS) FOR THE YEAR/PERIOD		<u>31,454</u>	<u>89,670</u>	<u>36,963</u>	<u>(46,566)</u>	<u>33,929</u>
Attributable to:						
Owners of the parent		37,832	43,161	(20,088)	(32,953)	27,351
Non-controlling interests		<u>(6,378)</u>	<u>46,509</u>	<u>57,051</u>	<u>(13,613)</u>	<u>6,578</u>
		<u>31,454</u>	<u>89,670</u>	<u>36,963</u>	<u>(46,566)</u>	<u>33,929</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY						
Basic and diluted	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNONGDOU

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PROFIT/(LOSS) FOR THE YEAR/PERIOD	31,454	89,670	36,963	(46,566)	33,929
OTHER COMPREHENSIVE INCOME/(LOSS)					
– Changes in fair value of investment properties	–	199,966	187,095	(78,420)	(25,817)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	<u>31,454</u>	<u>289,636</u>	<u>224,058</u>	<u>(124,986)</u>	<u>8,112</u>
Attributable to:					
Owners of the parent	37,832	163,257	110,216	(80,006)	29,698
Non-controlling interests	<u>(6,378)</u>	<u>126,379</u>	<u>113,842</u>	<u>(44,980)</u>	<u>(21,586)</u>
	<u>31,454</u>	<u>289,636</u>	<u>224,058</u>	<u>(124,986)</u>	<u>8,112</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

(B) Consolidated Statements of Financial Position

	<i>Notes</i>	As at 31 December			As at
		2015	2016	2017	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS					
Property and equipment	13	928,363	1,268,910	204,761	227,373
Investment properties	14	2,155,505	2,803,858	4,119,170	3,988,633
Intangible assets	15	587	437	2,513	2,497
Financial assets at fair value through profit or loss	17	10,000	10,000	10,000	10,000
Deferred tax assets	16	15,470	19,067	5,278	5,278
Other non-current assets		49,287	50,937	51,515	49,279
		<u>3,159,212</u>	<u>4,153,209</u>	<u>4,393,237</u>	<u>4,283,060</u>
CURRENT ASSETS					
Inventories	18	6,423	7,100	8,156	4,589
Trade and bills receivables	19	927	6,773	8,440	3,910
Prepayments, deposits and other receivables	20	369,151	588,199	576,106	505,654
Pledged deposits	21	120	6,927	127,107	78,660
Cash and cash equivalents	21	286,313	418,375	597,520	359,158
		<u>662,934</u>	<u>1,027,374</u>	<u>1,317,329</u>	<u>951,971</u>
CURRENT LIABILITIES					
Trade and bills payables	22	30,159	165,635	283,251	295,089
Other payables and accruals	23	548,224	844,508	871,320	610,514
Interest-bearing bank and other borrowings	24	606,509	761,014	812,232	570,000
Tax payable		3,021	61,872	41,989	15,897
		<u>1,187,913</u>	<u>1,833,029</u>	<u>2,008,792</u>	<u>1,491,500</u>
NET CURRENT LIABILITIES		<u>524,979</u>	<u>805,655</u>	<u>691,463</u>	<u>539,529</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,634,233</u>	<u>3,347,554</u>	<u>3,701,774</u>	<u>3,743,531</u>

	Notes	As at 31 December			As at
		2015	2016	2017	30 June
		RMB'000	RMB'000	RMB'000	2018
				RMB'000	
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	24	1,261,842	1,617,562	1,531,956	1,550,628
Other long term liabilities		75,399	68,634	106,099	93,892
Deferred tax liabilities	16	171,504	246,234	290,570	280,839
Total non-current liabilities		<u>1,508,745</u>	<u>1,932,430</u>	<u>1,928,625</u>	<u>1,925,359</u>
Net assets		<u>1,125,488</u>	<u>1,415,124</u>	<u>1,773,149</u>	<u>1,818,172</u>
EQUITY					
Equity attributable to owners of the parent					
Issued capital	25	300,000	300,000	300,000	300,000
Reserves	26	703,770	867,027	1,104,115	1,170,724
		<u>1,003,770</u>	<u>1,167,027</u>	<u>1,404,115</u>	<u>1,470,724</u>
Non-controlling interests		<u>121,718</u>	<u>248,097</u>	<u>369,034</u>	<u>347,448</u>
Total equity		<u>1,125,488</u>	<u>1,415,124</u>	<u>1,773,149</u>	<u>1,818,172</u>

(C) Consolidated Statements of Changes in Equity

	Attributable to owners of the parent				Total	Non-controlling interests	Total equity
	Issued capital	Statutory surplus reserves	Retained earnings	Other comprehensive income			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015	300,000	78,519	587,419	-	965,938	128,096	1,094,034
Profit/(loss) and other comprehensive income for the year	-	-	37,832	-	37,832	(6,378)	31,454
Appropriation for reserve funds	-	9,977	(9,977)	-	-	-	-
As at 31 December 2015 and 1 January 2016	300,000	88,496	615,274	-	1,003,770	121,718	1,125,488
Profit and other comprehensive income for the year	-	-	43,161	120,096	163,257	126,379	289,636
Appropriation for reserve funds	-	1,777	(1,777)	-	-	-	-
As at 31 December 2016 and 1 January 2017	300,000	90,273	656,658	120,096	1,167,027	248,097	1,415,124
Profit/(loss) and other comprehensive income for the year	-	-	(20,088)	130,304	110,216	113,842	224,058
Appropriation for reserve funds	-	1,596	(1,596)	-	-	-	-
Capital injection	-	-	-	-	-	7,095	7,095
Others	-	-	126,872	-	126,872	-	126,872
As at 31 December 2017	<u>300,000</u>	<u>91,869</u>	<u>761,846</u>	<u>250,400</u>	<u>1,404,115</u>	<u>369,034</u>	<u>1,773,149</u>

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Statutory surplus reserves	Retained earnings	Other comprehensive income	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 31 December 2017 and 1 January 2018	300,000	91,869	761,846	250,400	1,404,115	369,034	1,773,149	
Profit/(loss) and other comprehensive income for the period	-	-	27,351	2,347	29,698	(21,586)	8,112	
Dividends paid to shareholders	-	-	(20,000)	-	(20,000)	-	(20,000)	
Others	-	-	56,911	-	56,911	-	56,911	
As at 30 June 2018	<u>300,000</u>	<u>91,869</u>	<u>826,108</u>	<u>252,747</u>	<u>1,470,724</u>	<u>347,448</u>	<u>1,818,172</u>	
As at 31 December 2016 and 1 January 2017	300,000	90,273	656,658	120,096	1,167,027	248,097	1,415,124	
Loss and other comprehensive income for the period	-	-	(32,953)	(47,053)	(80,006)	(44,980)	(124,986)	
Capital injection	-	-	-	-	-	4,094	4,094	
Others	-	-	78,420	-	78,420	-	78,420	
As at 30 June 2017 (unaudited)	<u>300,000</u>	<u>90,273</u>	<u>702,125</u>	<u>73,043</u>	<u>1,165,441</u>	<u>207,211</u>	<u>1,372,652</u>	

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

(D) Consolidated Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2017 RMB'000 (Unaudited)	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax:	64,367	158,011	89,951	(38,105)	81,042
Adjustments for:					
Amortisation of intangible assets	234	280	434	217	228
Depreciation of items of property and equipment	3,744	4,036	3,899	1,950	1,566
Interest income	(2,687)	(4,100)	(6,464)	(3,048)	(3,326)
Interest expense	88,627	73,514	119,253	59,390	54,452
Changes in fair value of investment properties	(171,315)	(20,092)	(9,241)	51	(48,155)
Gain on disposal of investment properties	(4,293)	(249,287)	(270,020)	(78,469)	(116,355)
Gain on disposal of a subsidiary	–	–	(4,428)	(4,428)	–
Amortisation of long-term deferred assets	1,625	2,096	2,116	1,058	1,102
	<u>(19,698)</u>	<u>(35,542)</u>	<u>(74,500)</u>	<u>(61,384)</u>	<u>(29,446)</u>
Decrease/(increase) in inventories	6,055	677	1,056	(1,209)	(3,567)
Decrease/(increase) in trade and bills receivables	5,287	(5,846)	(1,667)	3,933	4,530
Decrease/(increase) in other non-current assets	–	(1,650)	(578)	44,605	2,236
(Increase)/decrease in prepayments, deposits and other receivables	(19,962)	(219,048)	12,093	39,093	70,452
(Decrease)/increase in trade and bills payables	(8,895)	135,476	117,616	(36,888)	11,838
Increase/(decrease) in other payables and accruals	133,596	300,809	224,884	305,760	(352,103)
	<u>116,081</u>	<u>210,418</u>	<u>353,404</u>	<u>355,294</u>	<u>(266,614)</u>
Cash generated from/(used in) operations	<u>96,383</u>	<u>174,876</u>	<u>278,904</u>	<u>293,910</u>	<u>(296,060)</u>

APPENDIX II
FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

	Year ended 31 December			Six months ended 30 June	
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2017 RMB'000 (Unaudited)	2018 RMB'000
Income tax paid	(12,169)	(5,077)	(64,896)	(23,502)	35,823
Net cash flows generated from/(used in) operating activities	84,214	169,799	214,008	270,408	(260,237)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	(349,407)	(1,019,589)	(491,310)	(244,934)	(17,298)
Purchase of intangible assets	(327)	(130)	(2,510)	(168)	212
Purchase of financial assets	(10,000)	-	-	-	-
(Increase)/decrease in pledged deposits	-	(6,807)	(120,180)	(120,180)	48,447
Proceeds from disposal of property and equipment	70	-	129	-	-
Proceeds from disposal of investment properties	71,574	627,519	766,935	222,875	295,047
Proceeds from disposal of a subsidiary	-	-	9,368	-	-
Interest received	2,973	4,415	1,647	-	-
Net cash flows (used in)/generated from investing activities	(285,117)	(394,592)	164,079	(142,407)	326,408
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid	(122,053)	(153,370)	(171,649)	(119,469)	(60,973)
New bank loans	1,026,451	1,500,497	856,269	365,122	92,000
Repayment of bank loans	(609,000)	(990,272)	(890,657)	(252,800)	(315,560)
Dividends paid to shareholders	-	-	-	-	(20,000)
Contribution from non-controlling shareholders	-	-	7,095	-	-
Net cash flows generated from/(used in) financing activities	295,398	356,855	(198,942)	(7,147)	(304,533)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
	94,495	132,062	179,145	120,854	(238,362)
Cash and cash equivalents at beginning of year/period	191,818	286,313	418,375	418,375	597,520
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	286,313	418,375	597,520	539,229	359,158

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

(E) Statements of Financial Position

		As at 31 December			As at
	Notes	2015	2016	2017	30 June
		RMB'000	RMB'000	RMB'000	2018
					RMB'000
NON-CURRENT ASSETS					
Property and equipment	13	2,677	2,294	1,414	1,276
Investment properties	14	2,155,505	1,966,271	1,843,510	1,845,884
Intangible assets	15	147	92	37	–
Financial assets at fair value through profit or loss	17	10,000	10,000	10,000	10,000
Investments in subsidiaries		213,644	215,644	228,400	227,950
Deferred tax assets	16	15,470	14,416	4,683	4,683
Other Non-current assets		45,947	47,481	47,247	46,708
		<u>2,443,390</u>	<u>2,256,198</u>	<u>2,135,291</u>	<u>2,136,501</u>
CURRENT ASSETS					
Trade and bills receivables	19	9,160	–	2,091	–
Prepayments, deposits and other receivables	20	468,102	742,361	829,623	522,156
Pledged deposits	21	–	–	2,300	2,300
Cash and cash equivalents	21	159,827	114,514	143,002	174,748
		<u>637,089</u>	<u>856,875</u>	<u>977,016</u>	<u>699,204</u>
CURRENT LIABILITIES					
Trade and bills payables	22	9,987	23,102	10,953	8,848
Other payables and accruals	23	232,025	231,399	246,669	116,016
Interest-bearing bank and other borrowings	24	578,500	630,600	520,100	520,000
Tax payable		–	–	6,124	–
		<u>820,512</u>	<u>885,101</u>	<u>783,846</u>	<u>644,864</u>
NET CURRENT LIABILITIES/(ASSETS)		<u>183,423</u>	<u>28,226</u>	<u>(193,170)</u>	<u>(54,340)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,259,967</u>	<u>2,227,972</u>	<u>2,328,461</u>	<u>2,190,841</u>

		As at 31 December			As at
	Notes	2015	2016	2017	30 June
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	24	929,900	880,800	975,700	835,700
Other long term liabilities		65,055	56,384	63,398	46,464
Deferred tax liabilities	16	171,504	179,514	162,134	162,512
		<u>1,166,459</u>	<u>1,116,698</u>	<u>1,201,232</u>	<u>1,044,676</u>
Total non-current liabilities		<u>1,166,459</u>	<u>1,116,698</u>	<u>1,201,232</u>	<u>1,044,676</u>
Net assets		<u>1,093,508</u>	<u>1,111,274</u>	<u>1,127,229</u>	<u>1,146,165</u>
EQUITY					
Issued capital	25	300,000	300,000	300,000	300,000
Reserves	26	793,508	811,274	827,229	846,165
		<u>1,093,508</u>	<u>1,111,274</u>	<u>1,127,229</u>	<u>1,146,165</u>
Total equity		<u>1,093,508</u>	<u>1,111,274</u>	<u>1,127,229</u>	<u>1,146,165</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

For the period ended 31 December 2015, 31 December 2016, 31 December 2017 and 30 June 2018

1. CORPORATE INFORMATION

Zhejiang Xinnongdou Industrial Co., Ltd* (the “**Target Company**”) was established in the People’s Republic of China (the “**PRC**”) with limited liability. The registered office of the Target Company is located at Room 306, No.137, Xinnongdou Logistics Center, Xinjie Town, Xiaoshan District, Hangzhou, Zhejiang Province. The principal activities of the Target Company and its subsidiaries (collectively referred to as the “**Target Group**”) are trading of agricultural products and market operation and management.

As at 30 June 2018, the Target Company’s major shareholders include Zhejiang Rural Development Group Co., Ltd, which holds a 19.85% effective equity interest of the Target Company, and Zhong An Shenglong Commercial Co., Ltd, which holds a 42.5% effective equity interest of the Target Company.

Information about subsidiaries

Particulars of the Target Company’s subsidiaries are as follows:

Name	Place and date of incorporation/registration and place of operations	Registered/ authorised capital	Percentage of equity attributable to the Target Company		Principal activities
			Direct	Indirect	
Zhejiang Tiannong Market Management Co., Ltd. (“浙江天農市場管理有限公司”)	The PRC/Mainland China December 2011	RMB5,000,000	100	–	Market management and wholesale of agricultural products
Hangzhou Xiaoshan Tiannong Aquatic Products Market Management Co., Ltd. (“杭州蕭山天農水產市場管理有限公司”)	The PRC/Mainland China November 2012	RMB5,000,000	60	–	Market management and wholesale of aquatic products
Zhejiang Quzhou Xinnongdou Industrial Co., Ltd. (“浙江衢州新農都實業有限公司”)	The PRC/Mainland China November 2013	RMB100,000,000	60	–	Market management, industrial investment and property management
Zhejiang Changxing Xinnongdou Industrial Co., Ltd. (“浙江長興新農都實業有限公司”)	The PRC/Mainland China December 2013	RMB100,000,000	60	–	Industrial investment, retail and wholesale of agricultural products
Zhejiang Zhuji Xinnongdou Industrial Co., Ltd (“浙江諸暨新農都實業有限公司”)	The PRC/Mainland China December 2013	RMB100,000,000	60	–	Market management, industrial investment and property management
Zhejiang Nongfa Supermarket Co., Ltd. (“浙江農發超市有限公司”)	The PRC/Mainland China August 2014	RMB10,000,000	100	–	Retail of packaged foods and daily commodities

Name	Place and date of incorporation/registration and place of operations	Registered/ authorised capital	Percentage of equity attributable to the Target Company		Principal activities
			Direct	Indirect	
Zhejiang Zhoushan Xinnongdou Industrial Co., Ltd. ("浙江舟山新農都實業有限公司")	The PRC/Mainland China October 2016	RMB8,200,000	60	–	Industrial investment and sale of agricultural products
Zhejiang Nongfa Zhejiang Agricultural Products Development Co., Ltd. ("浙江農發浙疆農產品發展有限公司")	The PRC/Mainland China September 2017	RMB15,750,000	51	–	Sale of agricultural products
Hangzhou Xiaoshan Tiannong Meat Market Management Co., Ltd.* ("杭州蕭山天農肉類市場管理有限公司")	The PRC/Mainland China September 2012	RMB3,000,000	55	–	Market management and wholesale of meat products

* Hangzhou Xiaoshan Tiannong Meat Market Management Co., Ltd. was liquidated on April 11, 2018.

2. PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for investment properties and derivative financial instruments which have been measured at fair value as explained in the accounting policies set out below. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2015, 2016 and 2017, and 30 June 2018, the current liabilities of the Target Group exceeded its current assets. In the opinion of the Directors, it is an industry practice for the property management business to keep a low level of current ratio. The Directors have prepared these financial statements on a going concern basis notwithstanding the net current liability position because the Directors expected that the Target Group will generate sufficient cash inflows from the operation and have adequate unused bank and other credit facilities to meet its financial obligation when they fall due.

2.2 Basis of consolidation

The Historical Financial Information includes the financial statements of the Target Company and its subsidiaries (collectively referred to as the “Target Group”) for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Target Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Target Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Historical Financial Information:

IFRS 16	<i>Leases¹</i>
IFRS 17	<i>Insurance Contracts²</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments¹</i>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement¹</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures¹</i>
<i>Annual Improvements 2015-2017 Cycle</i>	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23¹</i>

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Target Group is as follows:

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases.

Total operating lease commitments of the Target Group as at 31 December 2015, 2016 and 2017 and 30 June 2018 amounted to RMB46,683,000, RMB33,114,000, RMB79,420,000 and RMB91,929,000, respectively, as disclosed in note 27 under Section II of this report. The directors of the Target Company anticipate the adoption of IFRS 16 in the future may have impact on the amounts reported and disclosures made in the Target Group's consolidated financial statements, as it is expected that certain portions of these lease commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities. As the new standard is not expected to be applied until 1 January 2019, the directors of the Target Company are in the process of assessing the quantitative effect of these requirements. However, in the opinion of the directors, it is not practicable to provide a reasonable estimate of the quantitative effect for the application of IFRS 16 until the assessment has been completed.

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Target Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Target Group's financial statements.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Target Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Target Group measures its investment properties and financial guarantee contracts at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Target Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Target Group;
 - (ii) has significant influence over the Target Group; or
 - (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Target Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Target Group 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 Target Group or an entity related to the Target Group; and the sponsoring employers of the post-employment benefit plan;
 - (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); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Categories:	
Office equipment	19%
Electronic equipment	19%
Machinery and furniture	19%
Motor vehicles	19% to 31.7%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial assets***Classification***

The Target Group classifies its financial assets in the following measurement categories:

- (a) Debt instruments
 - (i) to be measured at amortized cost;
 - (ii) to be measured subsequently at fair value through profit or loss; and
 - (iii) to be measured subsequently at fair value through other comprehensive income.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Target Group reclassifies debt investments when and only when its business model for managing those assets changes.

- (b) Equity instruments and derivatives
 - (i) to be measured subsequently at fair value through other comprehensive income; and
 - (ii) to be measured subsequently at fair value through profit or loss.

For investments in equity instruments, this will depend on whether the Target Group has made an irrevocable election at the time of initial recognition to account for the equity investments at fair value through other comprehensive income. Derivatives not designated as hedges are measured subsequently at fair value through profit or loss.

Recognition and measurement

At initial recognition, the Target Group measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

- (a) Debt instruments

Subsequent measurement of debt instruments depends on the Target Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Target Group classifies its debt instruments:

At amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in "Other income and gains" using the effective interest rate method.

At fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in "Other income and gains". Interest income from these financial assets is included in "Other income and gains" using the effective interest rate method. Impairment losses are presented in "Other expenses".

At fair value through profit or loss: Assets that do not meet the criteria for financial assets at amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on debt investment is recognized in profit or loss and presented net in "Other income and gains" in the period in which it arises.

(b) Equity instruments

The Target Group subsequently measures all equity investments at fair value. Where the Target Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognized in "Other income and gains" when the Target Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in "Other income and gains" as applicable.

Impairment of financial assets

The Target Group assesses on a forward looking basis the expected credit losses associated with its debt instrument carried at amortized cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Target Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment of other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Derecognition of financial assets

The Target Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Target Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Target Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of derecognition of transfer of cash flows ("pass-through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- i. the carrying amount of the financial asset transferred; and
- ii. the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and financial liabilities measured at amortized cost, as appropriate.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and other payables, interest-bearing bank borrowings and other non-current liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, an entity shall present a gain or loss on a financial liability that is designated as at fair value through profit or loss as follows:

- (a) The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income; and
- (b) The remaining amount of change in the fair value of the liability shall be presented in profit or loss.

If the above requirements would create or enlarge an accounting mismatch in profit or loss, an entity shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is measured based on the fair value of the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Target Group recognizes revenue when the specific criteria have been met for the following activities:

- (a) from the sale of goods, when control of the asset is transferred to the customer, the customer has full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products; the Target Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Target Group does not adjust any of the transaction prices for the time value of money;
- (b) income from management service is recognized when the management service is completed and the services are delivered to a customer; the Target Group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Target Group does not adjust any of the transaction prices for the time value of money;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Employee benefits***Social pension plans***

The Target Group has the social pension plans for its employees arranged by local government labour and security authorities. The Target Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Target Group has no further obligations beyond the contributions made.

Housing fund and other social insurances

The Target Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Target Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Target Group has no further obligations beyond the contributions made.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation on the fair value of investment properties

Investment properties, including completed investment properties, were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Target Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

PRC land appreciation tax (“LAT”)

The Target Group is subject to LAT in the PRC. The provision for LAT is based on management’s best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Target Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period in which LAT is ascertained.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets (other than goodwill)

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. REVENUE, OTHER INCOME AND GAINS AND SEGMENT INFORMATION

Other than revenue analysis, management reviews profit or loss for the year/period of the Target Group as a whole to make decision about performance assessment and resource allocation. The operation of the Target Group constitutes one single operating segment under IFRS8 “Operating Segments” and accordingly, no separate segment information is prepared. No segment assets and liabilities are presented as management does not regularly review segment assets and liabilities.

Geographical information

All of the Target Group’s revenue is generated in the PRC and all of its assets are located in the PRC. Accordingly, no geographical information is presented.

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Interest on bank loans and other borrowings	122,053	153,370	171,649	119,469	60,973
Less: Interest capitalised	<u>(33,426)</u>	<u>(79,856)</u>	<u>(52,396)</u>	<u>(60,079)</u>	<u>(6,521)</u>
Finance costs	<u>88,627</u>	<u>73,514</u>	<u>119,253</u>	<u>59,390</u>	<u>54,452</u>

7. PROFIT BEFORE TAX

The Target Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Cost of sales of goods	35,031	18,713	32,150	8,943	8,591
Cost of rental income	17,107	20,597	23,939	7,993	16,731
Cost of management service provided	<u>1,958</u>	<u>2,694</u>	<u>4,409</u>	<u>364</u>	<u>196</u>
Total cost of sales	<u>54,096</u>	<u>42,004</u>	<u>60,498</u>	<u>17,300</u>	<u>25,518</u>
Auditors' remuneration	238	850	544	83	133
Employee benefit expenses					
– Wages, salaries and allowances	52,389	55,116	57,753	30,119	30,453
– Social insurance	11,000	11,094	11,127	6,806	7,050
– Welfare and other expenses	3,233	3,279	4,954	2,804	3,131
Interest expense	88,627	73,514	119,253	59,390	54,452
Changes in fair value of investment properties	(171,315)	(20,092)	(9,241)	51	(48,155)
Gain on disposal of a subsidiary	<u>–</u>	<u>–</u>	<u>4,428</u>	<u>4,428</u>	<u>–</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration of each of the Target Company's directors is set out below:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	346	432	432	216	215
Performance related bonuses	444	504	902	—	—
Pension scheme contributions	102	102	108	54	46
	<u>892</u>	<u>1,038</u>	<u>1,442</u>	<u>270</u>	<u>261</u>

Year ended 31 December 2015:

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance related bonus <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors:				
Mr. Fang Wei	176	226	48	450
Mr. Xu Luping	154	197	50	401
Mr. Li Liyu*	16	21	4	41
	<u>346</u>	<u>444</u>	<u>102</u>	<u>892</u>

Year ended 31 December 2016:

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance related bonus <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors:				
Mr. Li Liyu*	240	280	53	573
Mr. Xu Luping	192	224	49	465
	<u>432</u>	<u>504</u>	<u>102</u>	<u>1,038</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNONGDOU

Year ended 31 December 2017:

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance related bonus <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors:				
Mr. Li Liyu*	240	501	54	795
Mr. Xu Luping	192	401	54	647
	<u>432</u>	<u>902</u>	<u>108</u>	<u>1,442</u>

Six months ended 30 June 2018:

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance related bonus <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors:				
Mr. Li Liyu*	96	–	19	115
Mr. Xu Luping	100	–	23	123
Mr. He Qihai**	19	–	4	23
	<u>215</u>	<u>–</u>	<u>46</u>	<u>261</u>

Six months ended 30 June 2017 (Unaudited):

	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance related bonus <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors:				
Mr. Li Liyu*	120	–	27	147
Mr. Xu Luping	96	–	27	123
	<u>216</u>	<u>–</u>	<u>54</u>	<u>270</u>

* Mr. Li Liyu was appointed on 27 November 2015.

** Mr. He Qihai was appointed on 28 May 2018.

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNONGDOU

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the six months ended 30 June 2017 included two directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three highest paid employees who are neither directors nor chief executive of the Target Company were as follows:

	Year ended 31 December			Six months ended	
	2015	2016	2017	30 June	
	RMB'000	RMB'000	RMB'000	2017	2018
				RMB'000	RMB'000
				(Unaudited)	
Salaries, allowances and benefits in kind	461	576	576	288	299
Performance related bonuses	591	672	1,202	–	–
Pension scheme contributions	148	148	163	82	69
	<u>1,200</u>	<u>1,396</u>	<u>1,941</u>	<u>370</u>	<u>368</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six months ended	
	2015	2016	2017	30 June	
				2017	2018
				(Unaudited)	
Nil to RMB1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

10. INCOME TAX EXPENSE

Provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Target Group as determined in accordance with the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008 (the “New Corporate Income Tax Law”).

According to the requirements of the Provisional Regulations of the PRC on land appreciation tax (“LAT”) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interests on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Target Group has estimated and made tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Current income tax	189	42,755	14,703	24,091	38,168
PRC LAT	1,284	17,699	30,310	13,408	18,676
Deferred income tax	31,440	7,887	7,975	(29,038)	(9,731)
	<u>32,913</u>	<u>68,341</u>	<u>52,988</u>	<u>8,461</u>	<u>47,113</u>
Tax charge for the year/period					
				(Unaudited)	
	2015	2016	2017	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) before tax	64,367	158,011	89,951	(38,105)	81,042
Tax at the statutory tax rate	16,092	39,503	22,488	(9,526)	20,260
Non-deductible expenses	133	5,291	1,289	2,143	1,034
Adjustments in respect of unrecognized deductible temporary differences of previous periods	68	(1,153)	(1,479)	(1,581)	(1,735)
Unrecognized deductible temporary differences	11,853	10,017	7,958	7,369	13,122
Others	3,804	1,409	–	–	425
Provision for LAT	1,284	17,699	30,310	13,408	18,676
Tax effect on LAT	(321)	(4,425)	(7,578)	(3,352)	(4,669)
	<u>32,913</u>	<u>68,341</u>	<u>52,988</u>	<u>8,461</u>	<u>47,113</u>
Tax charge at the Target Group's effective rate					

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

11. DIVIDENDS

In March 2018, the Target Group declared a dividend in the amount of RMB20,000,000.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE TARGET COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful since the Target Company was a limited liability enterprise during the Relevant Periods and the six months ended 30 June 2017.

13. PROPERTY AND EQUIPMENT

The Target Group

	Office equipment <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Machinery and furniture <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost						
As at 1 January 2015	6,856	2,187	4,590	8,055	525,150	546,838
Additions	228	226	445	1,278	390,037	392,214
Disposals/write-off	(18)	(317)	(6)	(22)	–	(363)
As at 31 December 2015 and						
1 January 2016	7,066	2,096	5,029	9,311	915,187	938,689
Additions	1,719	114	38	55	1,096,168	1,098,094
Transfer to investment properties	–	–	–	–	(753,511)	(753,511)
Disposals/write-off	–	(3)	–	–	–	(3)
As at 31 December 2016 and						
1 January 2017	8,785	2,207	5,067	9,366	1,257,844	1,283,269
Additions	1,244	842	780	413	538,984	542,263
Transfer to investment properties	–	–	–	–	(1,602,384)	(1,602,384)
Disposals/write-off	(86)	(789)	(194)	(13)	–	(1,082)
As at 31 December 2017 and						
1 January 2018	9,943	2,260	5,653	9,766	194,444	222,066
Additions	224	37	31	381	23,505	24,178
As at 30 June 2018	<u>10,167</u>	<u>2,297</u>	<u>5,684</u>	<u>10,147</u>	<u>217,949</u>	<u>246,244</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

The Target Group

	Office equipment <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Machinery and furniture <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Accumulated depreciation and impairment losses						
As at 1 January 2015	(2,964)	(1,140)	(2,533)	(238)	–	(6,875)
Charge for the year	(1,247)	(406)	(807)	(1,284)	–	(3,744)
Eliminated on disposals/write-off	7	286	–	–	–	293
As at 31 December 2015 and 1 January 2016	(4,204)	(1,260)	(3,340)	(1,522)	–	(10,326)
Charge for the year	(1,754)	(359)	(574)	(1,349)	–	(4,036)
Eliminated on disposals/write-off	–	3	–	–	–	3
As at 31 December 2016 and 1 January 2017	(5,958)	(1,616)	(3,914)	(2,871)	–	(14,359)
Charge for the year	(1,404)	(405)	(688)	(1,402)	–	(3,899)
Eliminated on disposals/write-off	62	708	177	6	–	953
As at 31 December 2017 and 1 January 2018	(7,300)	(1,313)	(4,425)	(4,267)	–	(17,305)
Charge for the year	(571)	(290)	(245)	(460)	–	(1,566)
As at 30 June 2018	(7,871)	(1,603)	(4,670)	(4,727)	–	(18,871)
Net book value						
As at 30 June 2018	<u>2,296</u>	<u>694</u>	<u>1,014</u>	<u>5,420</u>	<u>217,949</u>	<u>227,373</u>
As at 31 December 2017	<u>2,643</u>	<u>947</u>	<u>1,228</u>	<u>5,499</u>	<u>194,444</u>	<u>204,761</u>
As at 31 December 2016	<u>2,827</u>	<u>591</u>	<u>1,153</u>	<u>6,495</u>	<u>1,257,844</u>	<u>1,268,910</u>
As at 31 December 2015	<u>2,862</u>	<u>836</u>	<u>1,689</u>	<u>7,789</u>	<u>915,187</u>	<u>928,363</u>

At 30 June 2018, certain of the Group's construction in progress with a carrying amount of RMB5,009,000 (2017: RMB5,009,000; 2016: RMB401,340,000; 2015: RMB244,530,000) were pledged to secure interest-bearing bank and other borrowings granted to the Group as disclosed in note 24.

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

The Target Company

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost			
As at 1 January 2015	5,147	3,545	8,692
Additions	130	–	130
	<hr/>	<hr/>	<hr/>
As at 31 December 2015 and 1 January 2016	5,277	3,545	8,822
Additions	1,169	38	1,207
	<hr/>	<hr/>	<hr/>
As at 31 December 2016 and 1 January 2017	6,446	3,583	10,029
Additions	325	–	325
	<hr/>	<hr/>	<hr/>
As at 31 December 2017 and 1 January 2018	6,771	3,583	10,354
Additions	145	–	145
	<hr/>	<hr/>	<hr/>
As at 30 June 2018	6,916	3,583	10,499
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Target Company

	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Accumulated depreciation and impairment losses			
As at 1 January 2015	(2,621)	(2,188)	(4,809)
Charge for the year	(841)	(495)	(1,336)
	<hr/>	<hr/>	<hr/>
As at 31 December 2015 and 1 January 2016	(3,462)	(2,683)	(6,145)
Charge for the year	(1,308)	(282)	(1,590)
	<hr/>	<hr/>	<hr/>
As at 31 December 2016 and 1 January 2017	(4,770)	(2,965)	(7,735)
Charge for the year	(878)	(327)	(1,205)
	<hr/>	<hr/>	<hr/>
As at 31 December 2017 and 1 January 2018	(5,648)	(3,292)	(8,940)
Charge for the year	(208)	(75)	(283)
	<hr/>	<hr/>	<hr/>
As at 30 June 2018	(5,856)	(3,367)	(9,223)
	<hr/>	<hr/>	<hr/>
Net book value			
As at 30 June 2018	1,060	216	1,276
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 31 December 2017	1,123	291	1,414
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 31 December 2016	1,676	618	2,294
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 31 December 2015	1,815	862	2,677
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

14. INVESTMENT PROPERTIES

The Target Group

	Completed investment properties RMB'000
At 1 January 2015	2,051,471
Disposal	(67,281)
Change in fair value of investment properties	171,315
At 31 December 2015 and 1 January 2016	2,155,505
Transfer from construction in progress to investment properties	753,511
Fair value gain upon transfer from construction in progress to investment properties	252,982
Disposal	(378,232)
Change in fair value of investment properties	20,092
At 31 December 2016 and 1 January 2017	2,803,858
Transfer from construction in progress to investment properties	1,602,384
Fair value gain upon transfer from construction in progress to investment properties	200,602
Disposal	(496,915)
Change in fair value of investment properties	9,241
At 31 December 2018 and 1 January 2018	4,119,170
Disposal	(178,692)
Change in fair value of investment properties	48,155
As at 30 June 2018	3,988,633

At 30 June 2018, certain of the Target Group's investment properties with a carrying amount of RMB2,626,618,000 (2017: RMB2,585,010,000; 2016: RMB1,855,920,000; 2015: RMB1,330,061,000) were pledged to secure interest-bearing bank and other borrowings granted to the Group as disclosed in note 24.

The Target Company

	Completed investment properties <i>RMB'000</i>
At 1 January 2015	2,051,471
Disposal	(67,281)
Change in fair value of investment properties	171,315
At 31 December 2015 and 1 January 2016	2,155,505
Disposal	(209,326)
Change in fair value of investment properties	20,092
At 31 December 2016 and 1 January 2017	1,966,271
Disposal	(127,498)
Change in fair value of investment properties	4,737
At 31 December 2017 and 1 January 2018	1,843,510
Disposal	(16,523)
Change in fair value of investment properties	18,897
As at 30 June 2018	1,845,884

At 30 June 2018, certain of the Target Company's investment properties with a carrying amount of RMB1,630,066,000 (2017: RMB1,616,996,000; 2016: RMB1,617,286,000; 2015: RMB1,330,061,000) were pledged to secure interest-bearing bank and other borrowings granted to the Target Company as disclosed in note 24.

The Target Group's investment properties consist of three commercial properties located in Zhejiang Province in Mainland China. The Target Group's investment properties were revalued on 31 December 2015, 2016 and 2017, and 30 June 2018 by Wan Bang Asset Appraisal Corporate Limited, independent professionally qualified valuers.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 27 to the Historical Financial Information.

Fair value hierarchy

For the years ended 31 December 2015, 2016 and 2017, and 30 June 2018, the fair value measurements of all investment properties of the Target Group were categorised within Level 3 of the fair value hierarchy and details of their movements are disclosed above.

In the opinion of the directors, for all investment properties that are measured at fair value, the properties have been used at their highest and best use.

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNONGDOU

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The valuations of completed investment properties were based on the investment method by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties.

Significant increases/(decreases) in estimated rental value per square metre in isolation would result in a significantly higher/(lower) fair value of the investment properties.

Generally, a change in the assumption made for the estimated rental value per square metre is accompanied by a directionally similar change in the development profit and an opposite change in the capitalisation rate.

All investment properties of the Target Group were revalued at the end of each reporting period by an independent professionally qualified valuer, Wanbang Assets Evaluation Co., Ltd., at fair value. Wanbang Assets Evaluation Co., Ltd. is an industry specialist in investment property valuation. The fair value represents the amount at which the assets could be exchanged between a knowledgeable and willing buyer and a seller in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements are observable.

The significant unobservable inputs

Investment properties held by the Target Group	Valuation technique	Range of significant unobservable inputs
Property 1 – Property in Hangzhou (Zhejiang Xinnongdou Logistics Center)	Income Approach (Discounted Cash Flow Method)	a. Discount rate: 5.5% b. Market unit rent: RMB0.6/sqm/day – RMB6.8/sqm/day
Property 2 – Property in Quzhou (Quzhou Xinnongdou Logistics Center)	Income Approach (Discounted Cash Flow Method)	(1) Discount rate: 5.5% (2) Market unit rent: RMB0.04/sqm/day – RMB1.67/sqm/day
Property 3 – Property in Zhuji (Zhuji Xinnongdou Logistics Center)	Income Approach (Discounted Cash Flow Method)	(1) Discount rate: 5.5% (2) Market unit rent: RMB0.33/sqm/day – RMB7.33/sqm/day
Property 4 – Property in Changxing (Changxing Xinnongdou Logistics Center)	Income Approach (Discounted Cash Flow Method)	(1) Discount rate: 5.5% (2) Market unit rent: RMB0.18/sqm/day – RMB2.34/sqm/day

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNONGDOU

15. INTANGIBLE ASSETS

The Target Group

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	494	587	437	2,513
Additions	327	130	2,510	212
Amortisation	(234)	(280)	(434)	(228)
Closing balance	<u>587</u>	<u>437</u>	<u>2,513</u>	<u>2,497</u>

The Target Company

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	–	147	92	37
Additions	165	–	–	–
Amortisation	(18)	(55)	(55)	(37)
Closing balance	<u>147</u>	<u>92</u>	<u>37</u>	<u>–</u>

16. DEFERRED TAX

The Target Group

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross deferred tax assets	15,470	19,067	5,278	5,278
Gross deferred tax liabilities	(171,504)	(246,234)	(290,570)	(280,839)
	<u>(156,034)</u>	<u>(227,167)</u>	<u>(285,292)</u>	<u>(275,561)</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

	Losses available for offsetting against future taxable profits	Deferred income	Provision and accruals	Changes in fair value of investment properties	Total
Deferred tax assets/(liabilities) at 1 January 2015	–	4,325	8,072	(136,991)	(124,594)
Deferred tax credited/(charged) to profit or loss during the year	8,369	(133)	(5,163)	(34,513)	(31,440)
Deferred tax assets/(liabilities) at 31 December 2015 and 1 January 2016	8,369	4,192	2,909	(171,504)	(156,034)
Deferred tax credited/(charged) to profit or loss during the year	802	317	2,478	(11,484)	(7,887)
Deferred tax charged to other comprehensive income	–	–	–	(63,246)	(63,246)
Deferred tax assets/(liabilities) at 31 December 2016 and 1 January 2017	9,171	4,509	5,387	(246,234)	(227,167)
Deferred tax credited/(charged) to profit or loss during the year	(9,171)	(432)	(4,186)	5,814	(7,975)
Deferred tax charged to other comprehensive income	–	–	–	(50,150)	(50,150)
Deferred tax assets/(liabilities) at 31 December 2017 and 1 January 2018	–	4,077	1,201	(290,570)	(285,292)
Deferred tax credited to profit or loss during the period	–	–	–	9,731	9,731
Deferred tax assets/(liabilities) at 30 June 2018	–	4,077	1,201	(280,839)	(275,561)

The Target Company

	As at 31 December			As at 30 June
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
Gross deferred tax assets	15,470	14,416	4,683	4,683
Gross deferred tax liabilities	(171,504)	(179,514)	(162,134)	(162,512)
	(156,034)	(165,098)	(157,451)	(157,829)

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNONGDOU

The Target Company

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

	Losses available for offsetting against future taxable profits	Deferred income	Provision and accruals	Changes in fair value of investment properties	Total
Deferred tax assets/(liabilities) at 1 January 2015	–	4,325	8,072	(136,991)	(124,594)
Deferred tax credited/(charged) to profit or loss during the year	8,369	(133)	(5,163)	(34,513)	(31,440)
Deferred tax assets/(liabilities) at 31 December 2015 and 1 January 2016	8,369	4,192	2,909	(171,504)	(156,034)
Deferred tax credited/(charged) to profit or loss during the year	802	(134)	(1,722)	(8,010)	(9,064)
Deferred tax assets/(liabilities) at 31 December 2016 and 1 January 2017	9,171	4,058	1,187	(179,514)	(165,098)
Deferred tax credited/(charged) to profit or loss during the year	(9,171)	(133)	(429)	17,380	7,647
Deferred tax assets/(liabilities) at 31 December 2017 and 1 January 2018	–	3,925	758	(162,134)	(157,451)
Deferred tax charged to profit or loss during the period	–	–	–	(378)	(378)
Deferred tax assets/(liabilities) at 30 June 2018	<u>–</u>	<u>3,925</u>	<u>758</u>	<u>(162,512)</u>	<u>(157,829)</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Target Group and the Target Company

	As at 31 December		As at 30 June	
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity investments, at fair value through profit or loss	10,000	10,000	10,000	10,000

Management designated the equity investments as financial assets at fair value through profit or loss upon initial application of IFRS 9 on 1 January 2018, as management considered them strategic investments in the long run. The fair value of the unlisted equity investments are determined by reference to the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. No change in fair value for the six months period ended 30 June 2018 or accumulated changes in fair value as of 30 June 2018, respectively, had been recognized in other comprehensive income for the six months ended 30 June 2018.

18. INVENTORIES

The Target Group

	As at 31 December		As at 30 June	
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	74	104	693	68
Goods in stock	5,985	6,915	6,791	4,521
Goods in transit	364	81	672	–
	<u>6,423</u>	<u>7,100</u>	<u>8,156</u>	<u>4,589</u>

19. TRADE AND BILLS RECEIVABLES

The Target Group

	As at 31 December		As at 30 June	
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable	927	6,773	6,349	3,910
Accounts receivable from related companies	–	–	2,091	–
	<u>927</u>	<u>6,773</u>	<u>8,440</u>	<u>3,910</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

- (a) An ageing analysis of accounts receivable based on the invoice date is set out below:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	838	6,602	7,962	3,963
1 to 2 years	98	189	520	–
2 to 3 years	–	–	11	–
	<u>936</u>	<u>6,791</u>	<u>8,493</u>	<u>3,963</u>
Less: impairment	9	18	53	53
	<u><u>927</u></u>	<u><u>6,773</u></u>	<u><u>8,440</u></u>	<u><u>3,910</u></u>

- (b) The movements in provision for impairment of accounts receivable during the year/period, including both specific and collective loss components, are as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the year/period	410	9	18	53
Impairment losses recognised	–	9	35	–
Impairment losses reversed	(401)	–	–	–
	<u>9</u>	<u>18</u>	<u>53</u>	<u>53</u>

The provision for impairment is in respect of accounts receivable that were individually determined to be impaired. These impaired accounts receivable relate to customers that were in financial difficulties and management assessed that the impaired amounts will not be recoverable. Consequently, specific provision for impairment for the full amount of each of the impaired receivables was recognised.

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

The Target Company

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable from related companies	9,160	–	2,091	–
	<u>9,160</u>	<u>–</u>	<u>2,091</u>	<u>–</u>

(a) An ageing analysis of accounts receivable based on the invoice date is set out below:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	5,660	–	2,091	–
1 to 2 years	3,500	–	–	–
	<u>9,160</u>	<u>–</u>	<u>2,091</u>	<u>–</u>

(b) No provision for impairment was recognised for the Target Company.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Target Group

	<i>Note</i>	As at 31 December			As at 30 June
		2015	2016	2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments and other receivables	(a)	128,147	283,239	260,369	232,206
Prepayment to suppliers		196,963	231,668	261,271	129,077
Other taxes recoverable		25,940	20,291	19,940	24,540
Other financial assets		–	51,000	25,000	84,000
Amounts due from related companies		<u>18,101</u>	<u>2,001</u>	<u>9,526</u>	<u>35,831</u>
		<u>369,151</u>	<u>588,199</u>	<u>576,106</u>	<u>505,654</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

(a) Prepayments and other receivables

	As at 31 December		As at 30 June	
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments and other receivables	128,389	283,741	261,578	233,314
Less: provision for impairment	(242)	(502)	(1,209)	(1,108)
	<u>128,147</u>	<u>283,239</u>	<u>260,369</u>	<u>232,206</u>

The movements in provision for impairment of prepayments and other receivables during the year/period, including both specific and collective loss components, are as follows:

	As at 31 December		As at 30 June	
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the year/period	88	242	502	1209
Impairment losses recognised	154	260	741	–
Impairment losses reversed	–	–	(34)	(101)
End of the year/period	<u>242</u>	<u>502</u>	<u>1,209</u>	<u>1,108</u>

The Target Company

	<i>Note</i>	As at 31 December		As at 30 June	
		2015	2016	2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments and other receivables (a)		94,714	140,065	90,412	75,258
Prepayment to suppliers		120,907	184,263	203,933	47,238
Other taxes recoverable		21,351	18,603	13,570	11,298
Other financial assets		–	–	25,000	40,000
Amounts due from related companies		<u>231,130</u>	<u>399,430</u>	<u>496,708</u>	<u>348,362</u>
		<u>468,102</u>	<u>742,361</u>	<u>829,623</u>	<u>522,156</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

(a) Prepayments and other receivables

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments and other receivables	94,878	140,435	90,768	75,614
Less: provision for impairment	(164)	(370)	(356)	(356)
	<u>94,714</u>	<u>140,065</u>	<u>90,412</u>	<u>75,258</u>

The movements in provision for impairment of prepayments and other receivables during the year/period, including both specific and collective loss components, are as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the year/period	82	164	370	356
Impairment losses recognised	82	206	–	–
Impairment losses reversed	–	–	(14)	–
End of the year/period	<u>164</u>	<u>370</u>	<u>356</u>	<u>356</u>

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

The Target Group

	Year ended 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	257,794	421,775	603,048	365,681
Other monetary assets	28,639	3,527	121,579	72,137
	<u>286,433</u>	<u>425,302</u>	<u>724,627</u>	<u>437,818</u>
Less: Pledged deposits:				
– Pledged for electronic fee	120	3,400	4,280	4,280
– Pledged for guarantee deposits	–	3,527	3,527	3,527
– Pledged for law suits	–	–	–	10,053
– Pledged for long term borrowings	–	–	119,300	60,800
	<u>120</u>	<u>6,927</u>	<u>127,107</u>	<u>78,660</u>
	<u>286,313</u>	<u>418,375</u>	<u>597,520</u>	<u>359,158</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNONGDOU

The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Target Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

As at 30 June 2018, certain of the Target Group's non-current time deposits of RMB4,280,000 (2017: RMB4,280,000; 2016: RMB3,400,000; 2015: RMB120,000) were pledged for electronic fee, which was required by local electric power company.

As at 30 June 2018, certain of the Target Group's non-current time deposits of RMB3,527,000 (2017: RMB3,527,000; 2016: RMB3,527,000; 2015: nil) were pledged for the construction of civil-air defence facilities required by the local government.

As at 30 June 2018, an amount of RMB10,053,000 (2017,2016 and 2015: nil) was frozen by the court, because a lawsuit was filed between the Target Group and the construction companies in 2018 due to an issue about the engineering price.

As at 30 June 2018, certain of the Target Group's non-current time deposits of RMB60,800,000 (2017: RMB119,300,000; 2016 and 2015: nil) were pledged to secure long term interest-bearing bank loans granted to the Target Group.

The Target Company

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	159,827	114,514	145,302	177,048
Less: Pledged deposits:				
– Pledged for long term borrowings	–	–	2,300	2,300
	159,827	114,514	143,002	174,748
	159,827	114,514	143,002	174,748

As at 30 June 2018, certain of the Target Company's non-current time deposits of RMB2,300,000 (2017: RMB2,300,000; 2016 and 2015: nil) were pledged to secure long term interest-bearing bank loans granted to the Target Company.

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNONGDOU

22. TRADE AND BILLS PAYABLES

The Target Group

	<i>Note</i>	As at 31 December			As at 30 June	
		2015	2016	2017	2018	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Accounts payable	(a)	29,719	164,973	268,382	295,089	
Accounts payable to related companies		440	662	14,869	–	
		<u>30,159</u>	<u>165,635</u>	<u>283,251</u>	<u>295,089</u>	

(a) An ageing analysis of accounts payable based on the invoice date is set out below:

	As at 31 December			As at 30 June	
	2015	2016	2017	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Within 1 year	29,447	163,849	213,126	288,543	
1 to 2 years	197	954	54,398	6,364	
2 to 3 years	35	99	762	118	
More than 3 years	40	71	96	64	
	<u>29,719</u>	<u>164,973</u>	<u>268,382</u>	<u>295,089</u>	

The Target Company

	<i>Note</i>	As at 31 December			As at 30 June	
		2015	2016	2017	2018	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Accounts payable	(a)	9,547	23,007	10,953	8,690	
Accounts payable to related companies		440	95	–	158	
		<u>9,987</u>	<u>23,102</u>	<u>10,953</u>	<u>8,848</u>	

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNONGDOU

(a) An ageing analysis of accounts payable based on the invoice date is set out below:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	9,378	22,481	4,222	2,779
1 to 2 years	119	456	6,226	5,754
2 to 3 years	10	25	439	93
More than 3 years	40	45	66	64
	<u>9,547</u>	<u>23,007</u>	<u>10,953</u>	<u>8,690</u>

23. OTHER PAYABLES AND ACCRUALS

The Target Group

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables (<i>Note a</i>)	241,822	305,811	499,662	402,610
Customer advances	105,929	313,663	216,526	109,546
Accrued salaries, wages and benefits	10,575	15,079	18,216	3,384
Interest payables	11,345	5,128	11,769	12,741
Amounts due to related companies	178,553	204,827	125,147	82,233
	<u>548,224</u>	<u>844,508</u>	<u>871,320</u>	<u>610,514</u>

The Target Company

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables (<i>Note a</i>)	55,615	36,666	26,847	45,741
Customer advances	99,764	187,160	211,285	36,295
Accrued salaries, wages and benefits	3,063	4,772	5,307	942
Interest payables	11,596	2,646	2,646	1,832
Amounts due to related companies	61,987	155	584	31,206
	<u>232,025</u>	<u>231,399</u>	<u>246,669</u>	<u>116,016</u>

Note a: Other payables mainly represent guarantees received from suppliers and construction fees payable related to daily operations.

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Target Group

	As at 31 December								
	2015			2016			2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank-secured	5.1-12.0	2016	356,500	4.6-10.8	2017	506,100	4.4-10.8	2018	507,000
Current portion of long term bank-secured	4.8-12.0	2016	250,009	4.8-12.0	2017	254,914	4.8-12.0	2018	305,232
			<u>606,509</u>			<u>761,014</u>			<u>812,232</u>

	As at 31 December								
	2015			2016			2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Non-current									
Bank-secured	4.8-12.0	2017-2024	1,261,842	4.8-12.0	2018-2025	1,617,562	4.8-12.0	2019-2025	1,531,956
			<u>1,868,351</u>			<u>2,378,576</u>			<u>2,344,188</u>

	As at 30 June 2018		
	Effective interest rate %	Maturity	RMB'000
Current			
Bank-secured	4.4-12.0	2019	430,000
Current portion of long term bank-secured	5.1-12.0	2019	<u>140,000</u>
			<u>570,000</u>
Non-current			
Bank-secured	5.1-12.0	2019-2025	<u>1,550,628</u>
			<u>2,120,628</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

	Year ended 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed into:				
Bank loans repayable:				
Within one year	626,609	791,114	812,232	570,000
In the second year	242,961	264,000	503,641	100,000
In the third to fifth years, inclusive	494,189	833,762	714,815	479,348
Beyond five years	504,592	489,700	313,500	971,280
	<u>1,868,351</u>	<u>2,378,576</u>	<u>2,344,188</u>	<u>2,120,628</u>

The Target Group

At the end of each of the Relevant Periods, the Target Group's bank and other borrowings were secured by:

	Year ended 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment properties	1,330,061	1,855,920	2,585,010	2,626,618
Construction in progress	244,530	401,340	5,009	5,009
	<u>1,574,591</u>	<u>2,257,260</u>	<u>2,590,019</u>	<u>2,631,627</u>

The Target Company

	As at 31 December								
	2015			2016			2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank-secured	5.1-12.0	2016	336,400	4.6-10.8	2017	476,000	4.4-10.8	2018	425,000
Current portion of long term bank-secured	6.55-12.0	2016	242,100	5.15-12.0	2017	154,600	5.15-12.0	2018	95,100
			<u>578,500</u>			<u>630,600</u>			<u>520,100</u>

	As at 31 December								
	2015			2016			2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Non-current									
Bank-secured	6.55-12.0	2017-2024	929,900	5.15-12.0	2018-2025	880,800	5.15-12.0	2019-2025	975,700
			<u>1,508,400</u>			<u>1,511,400</u>			<u>1,495,800</u>

	As at 30 June 2018		
	Effective interest rate %	Maturity	RMB'000
Current			
Bank-secured	4.35-10.8	2019	380,000
Current portion of long term bank-secured	5.1-12.0	2019	<u>140,000</u>
			<u>520,000</u>
Non-current			
Bank-secured	5.1-12.0	2020-2025	<u>835,700</u>
			<u>1,355,700</u>

	Year ended 31 December			As at 30 June
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
Analysed into:				
Bank loans repayable:				
Within one year	578,500	630,600	520,100	520,000
In the second year	207,100	95,100	306,000	50,000
In the third to fifth years, inclusive	284,100	368,000	392,200	620,700
Beyond five years	<u>438,700</u>	<u>417,700</u>	<u>277,500</u>	<u>165,000</u>
	<u>1,508,400</u>	<u>1,511,400</u>	<u>1,495,800</u>	<u>1,355,700</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

At the end of each of the Relevant Periods, the Target Company's bank and other borrowings were secured by:

	Year ended 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment properties	1,330,061	1,617,286	1,616,996	1,630,066

25. ISSUED CAPITAL

The Target Group and the Target Company

	RMB'000
Issued and fully paid:	
As at 31 December 2015, 2016 and 2017, and 30 June 2018	300,000

26. RESERVES

The Target Group

The amounts of the Target Group's reserves and the movements therein for the current and prior periods are presented in the consolidated statements of changes in equity of the financial statements.

In accordance with the Target Company Law of the PRC and the respective Articles of Association of the Target Group companies, companies that are domiciled in the PRC are required to allocate 10% of their profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserves until the reserves reach 50% of their respective registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

Statutory surplus reserve is non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

The Target Company

	Issued capital <i>RMB'000</i>	Statutory Surplus reserves <i>RMB'000</i>	Retained Earnings <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2015	300,000	78,519	615,222	993,741
Profit for the year	–	–	99,767	99,767
Appropriation for reserve funds	–	9,977	(9,977)	–
As at 31 December 2015 and 1 January 2016	300,000	88,496	705,012	1,093,508
Profit for the year	–	–	17,766	17,766
Appropriation for reserve funds	–	1,777	(1,777)	–
As at 31 December 2016 and 1 January 2017	300,000	90,273	721,001	1,111,274
Profit for the year	–	–	15,955	15,955
Appropriation for reserve funds	–	1,596	(1,596)	–
As at 31 December 2017 and 1 January 2018	300,000	91,869	735,360	1,127,229
Profit for the period	–	–	18,936	18,936
As at 30 June 2018	<u>300,000</u>	<u>91,869</u>	<u>754,296</u>	<u>1,146,165</u>

27. COMMITMENTS

(a) Capital commitments

The Target Group

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for: Property and equipment	<u>190,997</u>	<u>195,056</u>	<u>94,087</u>	<u>35,278</u>

(b) Operating lease commitments

As lessor

The Target Group leases out its investment properties under operating lease arrangements, on terms of one year, therefore, no commitment was recognised.

As lessee

The Target Group

The Target Group leases certain of its office premises under operating lease arrangements, negotiated for terms of five years with an option for renewal after the expiry dates, at which time all terms will be renegotiated.

As at 31 December 2015, 2016 and 2017, and 30 June 2018, the Target Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of leased properties as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	14,823	9,350	18,835	27,954
In the second to fifth years, inclusive	31,860	23,764	60,585	63,975
	46,683	33,114	79,420	91,929

The Target Company

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	5,611	279	254	268

28. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Target Group had the following material transactions with related parties during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Parent Company					
Interest expense	18,983	11,848	8,508	293	282
Rental expense	–	–	–	–	67
Common directors and ultimate holding company					
Purchase of goods	83,649	29,539	69,177	–	–
Sales of goods	25,200	59,235	35,574	–	–
Interest expense	3,004	58,631	2,859	2,665	–
Provision of service	–	–	2,684	–	1,347
A subsidiary's shareholder					
Service fee	500	–	–	–	–
Interest expense	17,567	7,619	9,059	–	–
Purchase of goods	–	–	6,238	–	–
Related party of the Target Group's shareholder					
Purchase of goods	99,574	–	–	–	–
Interest income	285	–	–	–	–
Related party of a subsidiary's shareholder					
Interest expense	–	3,072	3,500	–	–

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNONGDOU

(b) Outstanding balances with related parties:

	Year ended 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables				
Common directors and ultimate holding company	–	–	2,091	–
Prepayment				
A subsidiary's shareholder	1,881	1,881	–	–
Common directors and ultimate holding company	100	–	108	35,487
Other receivables				
Common directors and ultimate holding company	120	120	810	344
Parent company	16,000	–	8,608	–
Trade payables				
Common directors and ultimate holding company	440	662	512	–
A subsidiary's shareholder	–	–	14,357	–
Other payables				
Related party of a subsidiary's shareholder	51	35,051	35,174	–
A subsidiary's shareholder	90,528	50,126	30,736	–
Common directors and ultimate holding company	70,359	57,569	22	–
Parent company	–	60,506	51,063	49,067
Customer advances				
Parent company	–	–	–	33,166
Interest payables				
Related party of a subsidiary's shareholder	–	1,176	4,676	–
A subsidiary's shareholder	–	–	2,395	–
Common directors and ultimate holding company	771	177	1,081	–
Parent company	5,390	222	–	–
Dividend payables				
Parent company	11,454	–	–	–

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2015 <i>RMB'000</i>	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>
Financial assets				
Trade and bills receivables	927	6,773	8,440	3,910
Prepayments, deposits and other receivables	343,211	567,908	556,166	481,114
Pledged deposits	120	6,927	127,107	78,660
Cash and cash equivalents	286,313	418,375	597,520	359,158
	<u>630,571</u>	<u>999,983</u>	<u>1,289,233</u>	<u>922,842</u>
Financial liabilities				
Trade and bills payables	30,159	165,635	283,251	295,089
Other payables and accruals	547,777	821,744	855,312	610,514
Bank borrowings	1,868,351	2,378,576	2,344,188	2,120,628
	<u>2,446,287</u>	<u>3,365,955</u>	<u>3,482,751</u>	<u>3,026,231</u>

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The following tables illustrate the fair value instruments of the Target Group's financial instruments:

Assets measured at fair value:

As at 31 December 2015

	Fair value measurement using			Total <i>RMB'000</i>
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	
Investments at fair value through profit or loss	–	–	10,000	10,000
	<u>–</u>	<u>–</u>	<u>10,000</u>	<u>10,000</u>

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Investments at fair value through profit or loss	–	–	10,000	10,000

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Investments at fair value through profit or loss	–	–	10,000	10,000

As at 30 June 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Investments at fair value through profit or loss	–	–	10,000	10,000

Liabilities measured at fair value:

At the end of each of the Relevant Periods, the Target Group did not have any financial liabilities measured at fair value.

During the Relevant Periods, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise cash and short term deposits and financial investments. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various financial investments and liabilities such as trade receivables and trade and bills payables, which arise directly from its operation.

Foreign currency risk

The Target Group is principally engaged in the trading of agricultural products and market operation and management in Mainland China. The Target Group has no transaction currency exposures.

Interest rate risk

The Target Group is exposed to cash flow interest rate risk in relation to bank balances.

No sensitivity analysis is presented since the directors of the Target Group consider that the exposure to cash flow interest rate risk to the Target Group is limited because of the short maturity of the bank balances.

Credit risk

The Target Group has no significant consideration about credit risk. The carrying amounts of cash and bank balances, pledged deposits, trade and bills receivables, and financial assets included in prepayments, deposits and other receivables represent the Target Group's maximum exposure to credit risk in relation to financial assets.

At 31 December 2015, 2016 and 2017, and 30 June 2018, all of the Target Group's cash and cash equivalents and pledged deposits were held in major financial institutions located in Mainland China, which management believes are of high credit quality.

Liquidity risk

The Target Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flow from operations.

The Target Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings.

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

The maturity profile of the Target Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

31 December 2015

	On demand <i>RMB'000</i>	Within one year <i>RMB'000</i>	Over one year <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills payables	–	29,887	272	30,159
Other payables and accruals	–	547,777	–	547,777
	–	577,664	272	577,936

31 December 2016

	On demand <i>RMB'000</i>	Within one year <i>RMB'000</i>	Over one year <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills payables	–	164,511	1,124	165,635
Other payables and accruals	–	821,744	–	821,744
	–	986,255	1,124	987,379

31 December 2017

	On demand <i>RMB'000</i>	Within one year <i>RMB'000</i>	Over one year <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills payables	–	227,995	55,256	283,251
Other payables and accruals	–	855,312	–	855,312
	–	1,083,307	55,256	1,138,563

30 June 2018

	On demand <i>RMB'000</i>	Within one year <i>RMB'000</i>	Over one year <i>RMB'000</i>	Total <i>RMB'000</i>
Trade and bills payables	–	288,543	6,546	295,089
Other payables and accruals	–	610,514	–	610,514
	–	899,057	6,546	905,603

Capital management

The Target Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Target Group monitors capital using a defined gearing ratio, which is net debt divided by total capital plus net debt. Net debt including interest-bearing bank and other borrowings less cash and cash equivalents. The defined gearing ratio as at the end of each of the Relevant Periods is as follows:

	As at 31 December		As at 30 June	
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	1,868,351	2,378,576	2,344,188	2,120,628
Less: Cash and cash equivalents	286,313	418,375	597,520	359,158
Net Debt	1,582,038	1,960,201	1,746,668	1,761,470
Total equity	1,125,488	1,415,124	1,773,149	1,818,172
	141%	139%	99%	97%

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company, the Target Group or any of the companies now comprising the Target Group in respect of any period subsequent to 30 June 2018.

PART B. MANAGEMENT DISCUSSION AND ANALYSIS ON ZHEJIANG XINNONGDOU GROUP

Set out below is the management discussion and analysis of Zhejiang Xinnongdou Group for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018.

BUSINESS OVERVIEW

Zhejiang Xinnongdou Group is principally engaged in trading of agricultural products and market operation and management. It currently mainly operates four agricultural product logistics centres, including Hangzhou Xinnongdou Logistics Centre in Hangzhou, Zhejiang Province, the PRC, which commenced operation in January 2013, Quzhou Wholesale Market in Quzhou, Zhejiang Province, the PRC, which commenced operation in December 2016, Zhuji Logistics Centre in Zhuji, Zhejiang Province, the PRC, which commenced operation in May 2017, and Changxing Logistics Centre in Changxing, Zhejiang Province, the PRC, which commenced operation in December 2017. In addition, Zhejiang Xinnongdou Group has certain undeveloped land in Changxing, Zhejiang Province, which will be developed into phase II of Changxing Logistics Centre.

FINANCIAL PERFORMANCE

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, Zhejiang Xinnongdou Group generated revenue of approximately RMB128,401,000, RMB136,949,000, RMB169,074,000 and RMB94,860,000, respectively. For the year ended 31 December 2015, revenue of Zhejiang Xinnongdou Group was approximately RMB128,401,000, mainly derived from the agricultural product trading sales, rental income and service income of Hangzhou Xinnongdou Logistics Centre. For the year ended 31 December 2016, its revenue was approximately RMB136,949,000, representing an increase of approximately 7% from the year ended 31 December 2015. Such increase was mainly attributable to the revenue from the improved operation of Hangzhou Xinnongdou Logistics Centre for the year ended 31 December 2016. Its revenue further increased by approximately 23% to approximately RMB169,074,000 for the year ended 31 December 2017. Such increase was mainly attributable to the revenue contributed by the commencement of operation of Quzhou Wholesale Market and Zhuji Logistics Centre during the year ended 31 December 2017. Revenue for the six months ended 30 June 2018 was approximately RMB94,860,000, representing an increase of 75% from the six months ended 30 June 2017, which was attributable to the revenue contributed by the commencement of operation of Zhuji Logistics Centre and Changxing Logistics Centre.

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNONGDOU

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, Zhejiang Xinnongdou Group recorded cost of sales of approximately RMB54,096,000, RMB42,004,000, RMB60,498,000 and RMB25,518,000, respectively.

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, Zhejiang Xinnongdou Group recorded gross profit and gross profit margin of approximately RMB74,305,000 (58%), RMB94,945,000 (69%), RMB108,576,000 (64%) and RMB69,342,000 (73%), respectively. Gross profit margin for the year ended 31 December 2016 increased by approximately 11 percentage points from the year ended 31 December 2015. Such increase was mainly attributable to the improved gross profit margin from trading revenue for the year ended 31 December 2016. Gross profit margin for the year ended 31 December 2017 decreased by approximately 5 percentage points from the year ended 31 December 2016. Such decrease was mainly attributable to the lowered gross profit margin from trading revenue for the year ended 31 December 2017. Gross profit margin for the six months ended 30 June 2018 increased by approximately 5 percentage points from the six months ended 30 June 2017. Such increase was mainly attributable to the improved gross profit margin from trading revenue for the six months ended 30 June 2018.

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, other revenue and income of Zhejiang Xinnongdou Group were approximately RMB26,948,000, RMB256,427,000, RMB285,018,000 and RMB121,898,000, respectively. Other revenue and income of Zhejiang Xinnongdou Group represented mainly income from disposal of investment properties. Other revenue and income of Zhejiang Xinnongdou Group were mainly derived from disposal of certain investment properties of Hangzhou Xinnongdou Logistics Centre for the year ended 31 December 2015, disposal of certain investment properties of Hangzhou Xinnongdou Logistics Centre, Quzhou Wholesale Market and Zhuji Logistics Centre for the year ended 31 December 2016, disposal of certain investment properties of Hangzhou Xinnongdou Logistics Centre, Quzhou Wholesale Market, Zhuji Logistics Centre and Changxing Logistics Centre for the year ended 31 December 2017, and disposal of certain investment properties of Hangzhou Xinnongdou Logistics Centre, Quzhou Wholesale Market, Zhuji Logistics Centre and Changxing Logistics Centre for the six months ended 30 June 2018.

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, Zhejiang Xinnongdou Group recorded selling and distribution expenses (representing mainly agency service fees, advertising and promotion expenses and employee salaries) of approximately RMB47,618,000, RMB57,960,000, RMB99,806,000 and RMB62,354,000, respectively. The increase in selling and distribution expenses was mainly due to the increase in the number of operating agricultural product trading and wholesale markets and the increase in the number of investment properties disposed of.

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNONGDOU

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, Zhejiang Xinnongdou Group recorded administrative expenses (representing mainly employee salaries, office expenses and other general and administrative expenses) of approximately RMB70,674,000, RMB80,632,000, RMB92,000,000 and RMB41,417,000, respectively. The increase in administrative expenses for the three years ended 31 December 2015, 2016 and 2017 was mainly due to the increase in the number of operating agricultural product trading and wholesale markets and the increase in the number of employees. Administrative expenses for the six months ended 30 June 2018 decreased by 8% from the six months ended 30 June 2017, mainly due to less expenses salaries being paid.

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, changes in fair value of investment properties of Zhejiang Xinnongdou Group were approximately an increase of RMB171,315,000, an increase of RMB20,092,000, a increase of RMB9,241,000 and an increase of RMB48,155,000, respectively. The changes in fair value of investment properties of Zhejiang Xinnongdou Group were mainly attributable to the appreciation of Hangzhou Xinnongdou Logistics Centre arising from valuation for the year ended 31 December 2015, mainly the appreciation of Zhuji Logistics Centre arising from valuation for the year ended 31 December 2016, mainly the depreciation of Quzhou Wholesale Market arising from valuation for the year ended 31 December 2017, and mainly the appreciation of Hangzhou Xinnongdou Logistics Centre arising from valuation for the six months ended 30 June 2018.

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, Zhejiang Xinnongdou Group recorded profit for the year/period of approximately RMB31,454,000, RMB89,670,000, loss of RMB36,963,000 and RMB33,929,000, respectively.

FINANCIAL POSITION

The table below sets out selected items of the statement of financial position of Zhejiang Xinnongdou Group as at 31 December 2015, 2016 and 2017 and 30 June 2018, which should be read together with the accountant's report on Zhejiang Xinnongdou Group set out in this Appendix II Part A.

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	3,159,212	4,153,209	4,393,237	4,283,060
Current assets	662,934	1,027,374	1,317,329	951,971
Current liabilities	(1,187,913)	(1,833,029)	(2,008,792)	(1,491,500)
Non-current liabilities	(1,508,745)	(1,932,430)	(1,928,625)	(1,925,359)
Net current liabilities	(524,979)	(805,655)	(691,463)	(539,529)
Net assets	1,125,488	1,415,124	1,773,149	1,818,172

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNINGDOU

Non-current assets increased to approximately RMB4,393,237,000 as at 31 December 2017 from approximately RMB3,159,212,000 as at 31 December 2015, mainly due to the addition of investment properties of Quzhou Wholesale Market, Zhuji Logistics Centre and Changxing Logistics Centre. Non-current assets decreased to approximately RMB4,283,060,000 as at 30 June 2018, mainly due to the disposal of certain investment properties of Hangzhou Xinnongdou Logistics Centre, Quzhou Wholesale Market, Zhuji Logistics Centre and Changxing Logistics Centre during the six months ended 30 June 2018.

Current assets increased to approximately RMB1,317,329,000 as at 31 December 2017 from approximately RMB662,934,000 as at 31 December 2015, mainly due to the increase in cash and cash equivalents, prepayments and other receivables. Current assets decreased to approximately RMB951,971,000 as at 30 June 2018, mainly due to the decrease in cash and cash equivalents, prepayments and other receivables.

Current liabilities increased to approximately RMB2,008,792,000 as at 31 December 2017 from approximately RMB1,187,913,000 as at 31 December 2015, mainly due to the increase in accounts payable, other payables, advances from customers, short-term interest-bearing bank loans and other borrowings. Current liabilities decreased to approximately RMB1,491,500,000 as at 30 June 2018, mainly due to the decrease in other payables, advances from customers, short-term interest-bearing bank loans and other borrowings.

Non-current liabilities increased to approximately RMB1,932,430,000 as at 31 December 2016 from approximately RMB1,508,745,000 as at 31 December 2015, mainly due to the increase in long-term interest-bearing bank and other borrowings. Non-current liabilities decreased to approximately RMB1,928,625,000 as at 31 December 2017, mainly due to the decrease in long-term interest-bearing bank and other borrowings. Non-current liabilities further decreased to approximately RMB1,925,359,000 as at 30 June 2018, mainly due to the fact that the decrease in other long-term liabilities and deferred taxation liabilities was higher than the increase in long-term interest-bearing bank and other borrowings.

Net current liabilities increased to approximately RMB805,655,000 as at 31 December 2016 from approximately RMB524,979,000 as at 31 December 2015, mainly due to the fact that the increase in accounts payable, other payables and short-term interest-bearing bank and other borrowings was higher than the increase in cash and cash equivalents, prepayments and other receivables. Net current liabilities decreased to approximately RMB691,463,000 as at 31 December 2017, mainly due to the fact that the increase in accounts payable, other payables and short-term interest-bearing bank and other borrowings was lower than the increase in cash and cash equivalents, prepayments and other receivables. Net current liabilities further decreased to approximately RMB539,529,000 as at 30 June 2018, mainly due to the fact that the decrease in other payables and short-term interest-bearing bank and other borrowings was higher than the decrease in cash and cash equivalents, prepayments and other receivables.

Although a net current liability position has been recorded as at 31 December 2015, 2016 and 2017 and as at 30 June 2018, the Directors considers that the risk of Zhejiang Xinnongdou going-concern uncertainty is relative low due to (i) the investment properties currently classified as non-currents assets can be disposed to fulfill the liquidity requirements when necessary; (ii) Zhejiang Xinnongdou has recorded as at 30 June 2018, a net total assets (approximately RMB2190.8 million), adequate level of cash and cash equivalents (approximately RMB174.7 million) and an improvement in its gearing ratio; and (iii) Zhejiang Xinnongdou has recorded positive net cash flow generated from operation activities and net increase in cash and cash equivalents during each of the years ended 31 December 2015, 2016 and 2017. As such, the Directors consider that it is of the Company's interest to proceed with the Acquisition.

Net assets increased to approximately RMB1,773,149,000 as at 31 December 2017 from approximately RMB1,125,488,000 as at 31 December 2015, mainly due to net cash generated from operating activities and the appreciation in investment properties. Net assets further increased to approximately RMB1,818,172,000 as at 30 June 2018, mainly due to the appreciation in investment properties.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, Zhejiang Xinnongdou Group funded its operation mainly through bank loans, cash generated from operating activities and disposal of investment properties.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, Zhejiang Xinnongdou Group had cash and cash equivalents of approximately RMB286,313,000, RMB418,375,000, RMB597,520,000 and RMB359,158,000, respectively, all denominated in Renminbi.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, Zhejiang Xinnongdou Group had outstanding interest-bearing borrowings of approximately RMB1,868,351,000, RMB2,378,576,000, RMB2,344,188,000 and RMB2,120,628,000, respectively, all denominated in Renminbi.

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, Zhejiang Xinnongdou Group recorded interest expenses on bank loans and other borrowings (before deduction of capitalised interest) of approximately RMB122,053,000, RMB153,370,000, RMB171,649,000 and RMB60,973,000, respectively. The changes in interest expenses mainly corresponded to the changes in the balance of average outstanding interest-bearing borrowings during the year/period.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, approximately RMB1,868,000,000, RMB2,379,000,000, RMB2,344,189,000 and RMB2,120,628,000 of the outstanding interest-bearing borrowings of Zhejiang Xinnongdou Group were at fixed rate, and the remaining were at floating rate.

APPENDIX II FINANCIAL INFORMATION OF ZHEJIANG XINNONGDOU

As at 31 December 2015, 2016 and 2017 and 30 June 2018, Zhejiang Xinnongdou Group had unutilised bank facilities of approximately RMB402,000,000, RMB260,000,000, RMB600,420,000 and RMB645,580,000, respectively.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, Zhejiang Xinnongdou Group had gearing ratio (being total liabilities divided by total equity) of 2.40, 2.66, 2.22 and 1.88, respectively.

TREASURY POLICIES AND HEDGING ARRANGEMENTS

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, Zhejiang Xinnongdou Group did not have any treasury policies or hedging arrangements in place.

MATERIAL INVESTMENTS

As at 31 December 2015, 2016 and 2017 and 30 June 2018, Zhejiang Xinnongdou Group did not have any material investments.

SEGMENT INFORMATION

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, Zhejiang Xinnongdou Group operated one business segment only, being agricultural product trading and operating agricultural product logistics centres.

PLEDGE OF ASSETS

The table below sets out the summary of pledged assets of Zhejiang Xinnongdou Group during the periods indicated:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment properties	1,330,061	1,855,920	2,585,010	2,626,618
Construction in progress	244,530	401,340	5,009	5,009
Restricted cash	120	6,927	127,107	78,660
Total	1,574,711	2,264,187	2,717,126	2,710,287

MATERIAL ACQUISITIONS AND DISPOSALS

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, Zhejiang Xinnongdou Group had not entered into any material transactions to acquire or dispose of its assets.

CONTINGENT LIABILITIES

As at 31 December 2015, 2016 and 2017 and 30 June 2018, Zhejiang Xinnongdou Group did not have any contingent liabilities.

CAPITAL COMMITMENT

As at 31 December 2015, 2016 and 2017 and 30 June 2018, capital commitment to properties under development contracted but not provided for amounted to approximately RMB190,997,000, RMB195,056,000, RMB94,087,000 and RMB35,278,000, respectively.

FOREIGN EXCHANGE RATE FLUCTUATION RISK

For the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, Zhejiang Xinnongdou Group operated in the PRC only and was not exposed to any exchange rate risk.

EMPLOYEES

As at 31 December 2015, 2016 and 2017 and 30 June 2018, Zhejiang Xinnongdou Group had 724, 565, 558 and 563 employees, respectively. Employees at all levels receive remuneration with reference to market standards and receive bonus within the framework of Zhejiang Xinnongdou Group for salary, incentive and bonus plans based on their performance.

FUTURE PLANS

At this stage, Zhejiang Xinnongdou Group is focusing on agricultural product trading and operating agricultural product logistics centres.

DIVIDENDS

For the three years ended 31 December 2015, 2016 and 2017 Zhejiang Xinnongdou Group had not declared or paid any dividends. For the six months ended 30 June 2018, Zhejiang Xinnongdou Group had declared a dividend in the amount of RMB20,000,000 in March 2018.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**Basis of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group**

The accompanying unaudited pro forma consolidated statement of financial position (the “Unaudited Pro Forma Financial Information”) of China New City Commercial Development Limited (中國新城市商業發展有限公司) (the “Company”, together with its subsidiaries, the “Group”) as enlarged (the “Enlarged Group”) by the acquisition of Zhejiang Xinnongdou Industrial Co., Ltd* (浙江新農都實業有限公司) (“Zhejiang Xinnongdou”) has been prepared by the directors of the Company (the “Directors”) in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effects of the acquisition (the “Acquisition”) of 42.5% of the entire equity interests in Zhejiang Xinnongdou (the “Target Company”) from Hangzhou Oriental Culture Tourism Group Co., Ltd* (杭州東方文化園旅業集團有限公司) (“Hangzhou Oriental”).

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018, which has been extracted from the Group’s published interim report dated 23 August 2018 for the six month period ended 30 June 2018 and the audited consolidated statement of financial position of Zhejiang Xinnongdou as at 30 June 2018, which is extracted from the accountants’ report as set out in Appendix II to this circular, after taking into account the pro forma adjustments relating to the Acquisition that are (i) clearly shown and explained; (ii) directly attributable to the Acquisition and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the Acquisition had been completed on 30 June 2018.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Enlarged Group upon completion of the Acquisition. One of the major assumptions is that Zhejiang Xinnongdou will become an associate of the Company upon the completion of the Acquisition. As the Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position and results of the Enlarged Group following the completion of the Acquisition and does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on the date indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group after the completion of the Acquisition.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with paragraph 29 of Chapter 4 and paragraph 69(4)(a)(ii) of Chapter 14 of the Listing Rules. The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix I to the circular of the Company dated 30 November 2018 (the “Circular”) and other financial information included elsewhere in the Circular.

* *For identification purposes only*

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP****Unaudited Pro Forma Financial Information of the Enlarged Group**

	The Group as at 30 June 2018	Pro forma adjustments		Unaudited Enlarged Group as at 30 June 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 3</i>	<i>Note 3</i>	
NON-CURRENT ASSETS				
Non-current assets				
Property and equipment	2,015,587			2,015,587
Investment properties	5,423,326			5,423,326
Properties under development	965,934			965,934
Financial assets at fair value through other comprehensive income	365,300	(327,000)		38,300
Long term prepayments	200,947			200,947
Investment in an associate	–	327,000	352,994	679,994
Deferred tax assets	7,193			7,193
Restricted cash	338,772			338,772
Total non-current assets	9,317,059			9,670,053
Current assets				
Completed properties held for sale	1,524,616			1,524,616
Properties under development	1,962,603			1,962,603
Inventories	12,770			12,770
Trade and bills receivables	18,695			18,695
Prepayments, deposits and other receivables	420,060			420,060
Amounts due from related companies	328,485			328,485
Financial assets at fair value through profit or loss	73,046			73,046
Restricted cash	218,955			218,955
Cash and cash equivalents	544,808			544,808
Investment properties classified as held for sale	85,574			85,574
Total current assets	5,189,612			5,189,612

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group as at 30 June 2018	Pro forma adjustments		Unaudited Enlarged Group as at 30 June 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note 1</i>	<i>Note 3</i>	<i>Note 3</i>	
Current liabilities				
Trade payables	693,479			693,479
Other payables and accruals	163,228			163,228
Advances from customers	1,746,165			1,746,165
Amounts due to related companies	1,318,966			1,318,966
Interest-bearing bank and other borrowings	2,257,989			2,257,989
Tax payable	328,701			328,701
Total current liabilities	6,508,528			6,508,528
Non-current liabilities				
Interest-bearing bank and other borrowings	925,000			925,000
Deferred tax liabilities	1,065,193			1,065,193
Total non-current liabilities	1,990,193			1,990,193
Equity				
Equity attributable to owners of the parent				
Share capital	146,724		14,262	160,986
Treasury Share	(1,482)			(1,482)
Reserves	5,581,699		338,732	5,920,431
	5,726,941			6,079,935
Non-controlling interests	281,009			281,009
Total equity	6,007,950			6,360,944

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018 is extracted from the published interim report of the Group for the six month period ended 30 June 2018.
2. For accounting purposes, Zhejiang Xinnongdou will be accounted for as an associate of the Company upon completion of the Acquisition. Please also refer to the Circular for further details.
3. Based on the assumption as mentioned above, in the opinion of the Directors, the Company could not obtain the joint control of Zhejiang Xinnongdou upon completion of the Acquisition, Zhejiang Xinnongdou will become an associate of the Company upon completion of the Acquisition. The adjustments represent the following:
 - 1) Before the Acquisition, the Group previously held a 19.85% equity interest in Zhejiang Xinnongdou. The investment was recorded as an available-for-sale investment, with a value of RMB327,000,000. For the purpose of presenting the pro forma adjustments, the investment was adjusted to the account of “Investment in an associate”.
 - 2) An aggregate of 178,280,000 ordinary shares of HK\$0.10 each in the share capital of the Company will be issuable by the Company for the settlement of the consideration for the Acquisition.
4. No other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group subsequent to 30 June 2018.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

30 November 2018

To the Directors of China New City Commercial Development Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China New City Commercial Development Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2018, and related notes as set out in Appendix III to the circular dated 30 November 2018 issued by the Company (the “Circular”) (the “Unaudited Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition (the “Acquisition”) of 42.5% of the entire equity interests in Zhejiang Xinnongdou Industrial Co., Ltd* (浙江新農都實業有限公司) (the “Target Company”) from Hangzhou Oriental Culture Tourism Group Co., Ltd* (杭州東方文化園旅業集團有限公司) on the Group’s financial position as at 30 June 2018 as if the Acquisition had taken place at 30 June 2018. Upon completion of the Acquisition, the Company will hold the 42.5% equity interests in the Target Company. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s interim condensed financial information for six month period ended 30 June 2018 as set out in the published interim report of the Company dated 23 August 2018.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited 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 (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “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 behaviour.

Our 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*, 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 Unaudited 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 Unaudited 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 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 Unaudited 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 purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited 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 Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition 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 Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited 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 Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited 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 Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited 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 Unaudited 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.

Yours faithfully,

Certified Public Accountants
Hong Kong



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30 November 2018

Zhong An Real Estate Limited

(“Zhong An”, together with its subsidiaries, the “Zhong An Group”)
Room 4006, 40/F.,
China Resources building
26 Harbour Road
Wanchai, Hong Kong

China New City Commercial Development Limited

(“CNC”, together with its subsidiaries, the “CNC Group”)
Room 4003-4, 40th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

(the Zhong An Group and the CNC Group collectively, the “Group”)

Dear Sirs/Madam,

Re: Valuation of Various Properties in the People’s Republic of China

We refer to an equity transfer agreement dated 20 July 2018 entered into between Zhejiang Zhongan Shenglong Commercial Co., Ltd. (浙江眾安盛隆商業有限公司) (“Zhong An Shenglong”) (an indirect non-wholly owned subsidiary of CNC) (as purchaser) and Hangzhou Oriental Culture Tourism Group Co., Ltd. (杭州東方文化園旅業集團有限公司) (“Hangzhou Oriental”) (as vendor) pursuant to which Zhong An Shenglong intends to acquire from Hangzhou Oriental an additional 22.65% of the entire equity interest of Zhejiang Xinnongdou Industrial Co., Ltd. (浙江新農都實業有限公司) (the “Target Company”, an associated company of Hangzhou Oriental, together with its subsidiaries, associated companies and branch offices, the “Zhejiang Xinnongdou Group”).

In accordance with the joint instructions of Zhong An and CNC to value the properties in which the Zhejiang Xinnongdou Group have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out 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 properties as at 31 August 2018 for the purpose of incorporation into the circular respectively issued by Zhong An and CNC.

1. BASIS OF VALUATION

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean "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".

Market value is 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.

3. VALUATION METHODOLOGY

We have valued the properties by direct comparison approach whenever market comparable information is available and assumed sale of the properties with the benefit of vacant possession. Direct Comparison Approach is considered as the most appropriate method of valuation when comparable information is adequate. Adjustments will be applied to the said comparable properties to reflect items such as location, size, accessibility and a whole list of other considerations, where necessary.

4. TITLE INVESTIGATION

We have been provided with copies of extracts of title documents relating to the properties. However, we have not inspected the original documents to verify the ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by Zhejiang Xinnongdou and its legal adviser, Zhejiang Bo Fang Law Firm (浙江博方律師事務所) ("PRC Legal Adviser"), regarding the titles and other legal matters relating to the properties.

5. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owners sell the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

6. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by Zhejiang Xinnongdou and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, site/floor areas, age of building and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

Dimension, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct. We were also advised by Zhejiang Xinnongdou that no material facts have been omitted from the information provided.

7. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

No allowance has been made in our report for any charges, mortgages or amounts owing on any properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions, title defects and outgoing of an onerous nature which could affect their values.

In valuing the properties, we have complied with the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and the requirements contained in the relevant provisions of Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

8. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation are in Renminbi (RMB).

Our valuation certificates are enclosed herewith.

Yours faithfully,

For and on behalf of

RAVIA GLOBAL APPRAISAL ADVISORY LIMITED

Dr. Alan Lee

PhD(BA) MFin BCom(Property)

MHKIS RPS(GP) AAPI CPV CPV(Business)

Director

Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 14 years of valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region and European countries.

SUMMARY OF VALUES

Group I – Properties for investment purpose to be acquired by Zhejiang Xinnongdou Group in the PRC

No. Property	Market Value in Existing State as at 31 August 2018
<p>1. A hotel and various commercial units in Areas 3 to 5 of New Nongdou Logistics Centre situated in Xinjie Town, Xiaoshan District, Hangzhou City, Zhejiang Province, The PRC</p> <p>中國浙江省杭州市蕭山區新街鎮新農都物流中心3至5區之一幢酒店及數個商業單位</p>	RMB1,626,000,000.
<p>2. Various commercial units in New Nongdou Quzhou Wholesale Market situated in the western of the Exit of G20 Hangjinq Express, Qujiang District, Quzhou City, Zhejiang Province, The PRC</p> <p>中國浙江省衢州市衢江區G60杭金衢高速南出口以西浙江新農都衢州批發市場之數個商業單位</p>	RMB498,000,000.
<p>3. Various market units in New Nongdou Zhuji Logistic Centre situated in Jiyang Road Corp Products Processing Park, Zhuji City, Zhejiang Province, The PRC</p> <p>中國浙江省諸暨市暨陽街道農產品深加工園區浙江新農都諸暨物流中心數個市場單位</p>	RMB752,000,000.
<p>4. New Nongdou Zhangxing Logistic Centre situated in Liujiadu Village, Lijiexiang Town, Zhangxing City, Zhejiang Province, The PRC</p> <p>中國浙江省長興市李家巷鎮劉家渡村浙江新農都長興物流中心</p>	RMB133,000,000.
Total:	RMB3,009,000,000.

Group II – Property to be developed and acquired by Zhejiang Xinnongdou Group in the PRC

<p>5. New Nongdou Zhangxing Logistic Centre situated in Liujiadu Village, Lijiexiang Town, Zhangxing City, Zhejiang Province, The PRC</p> <p>中國浙江省長興市李家巷鎮劉家渡村浙江新農都長興物流中心</p>	RMB311,000,000.
Total:	RMB311,000,000.

VALUATION CERTIFICATE

Group I – Properties for investment purpose to be acquired by Zhejiang Xinnongdou Group in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 August 2018
1.	A hotel and various commercial units in Areas 3 to 5 of New Nongdou Logistics Centre situated in Xinjie Town, Xiaoshan District, Hangzhou City, Zhejiang Province, The PRC 中國浙江省杭州市蕭山區新街鎮新農都物流中心3至5區之一幢酒店及數個商業單位	The property comprises a hotel, various commercial operation units and residential units in a residential/commercial composite development which is completed in various stages between about 2010's. The total gross floor area of the property is approximately 227,264.07 sq.m.. The land use rights of the property have been granted for a common term of 40 years expiring on 22 February 2050 for market and hotel uses.	The property is leased.	RMB1,626,000,000

Notes:

1. Pursuant to 4 State-owned Land Use Rights Certificates issued by Hangzhou City People's Government (杭州市人民政府), the land use rights of the property with a total site area of 134,977 sq.m. were granted to Target Company for a term expiring on 22 February 2050 for market and hotel uses.
2. Pursuant to various Building Ownership Certificates, the property with a total gross floor area of 227,264.07 sq.m. was vested in Target Company for commercial and hotel uses.
3. We have been provided with a legal opinion on the property issued by the PRC Legal Adviser, which contains, inter alia, the following:
 - a. Target Company has legally obtained the land use rights and building ownership of the property; and
 - b. The property is subject to various mortgages and the property can be transferred upon approvals of respective banks.
4. Our inspection was performed by Dr. Alan Lee in June 2018.
5. For the premises without proper title certificates, their values have not been included in our valuation.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 August 2018
2.	Various commercial units in New Nongdou Quzhou Wholesale Market situated in the western of the Exit of G20 Hangjinq Express, Qujiang District, Quzhou City, Zhejiang Province, The PRC 中國浙江省衢州市衢江區G60杭金衢高速南出口以西浙江新農都衢州批發市場之數個商業單位	The property comprises various commercial units in a commercial development which is completed in various stages between about 2015 and 2017. The total gross floor area of the property is approximately 110,592.05 sq.m.. The land use rights of the property have been granted for various term expiring on 19 January 2084 for residential use and expiring on 19 January 2054 for commercial services uses.	The property is leased.	RMB498,000,000

Notes:

1. Pursuant to various State-owned Land Use Rights Certificates, the land use rights of the property with a total site area of 55,978.58 sq.m. were granted to Zhejiang Quzhou New Agricultural All Industrial Company Limited (浙江衢州新農都實業有限公司) for common term expiring on 19 January 2054 for commercial services uses.
2. Pursuant to various Building Ownership Certificates, the property with a total gross floor area of 110,592.05 sq.m. was vested in Zhejiang Quzhou New Agricultural All Industrial Company Limited (浙江衢州新農都實業有限公司) for commercial services uses.
3. We have been provided with a legal opinion on the property issued by the PRC Legal Adviser, which contains, inter alia, the following:
 - a. Zhejiang Quzhou New Agricultural All Industrial Company Limited (浙江衢州新農都實業有限公司) has legally obtained the land use rights and building ownership of the property; and
 - b. The property is subject to a mortgage and the property can be transferred upon approvals of respective banks.
4. Our inspection was performed by Dr. Alan Lee in June 2018.
5. For the premises without proper title certificates, their values have not been included in our valuation.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 August 2018
3.	Various market units in New Nongdou Zhuji Logistic Centre situated in Jiyang Road Corp Products Processing Park, Zhuji City, Zhejiang Province, The PRC 中國浙江省諸暨市暨陽街道農產品深加工園區浙江新農都諸暨物流中心數個市場單位	The property comprises various commercial units, which were completed in about 2017. The gross floor area of the property is approximately 167,149.96 sq.m. The property also comprises various structures with a gross floor area of 19,394.5 sq.m. without relevant title document. We have not considered such in our valuation. The land use rights of the property have been granted for a term expiring on 29 May 2054.	The property is leased.	RMB752,000,000

Notes:

1. Pursuant to 5 State-owned Land Use Rights Certificates, the land use rights of the property with a total site area of 156,352.8 sq.m. were granted to Zhejiang Zhuji New Nongdu Industrial Company Limited (浙江諸暨新農都實業有限公司) for a common term expiring on 29 May 2054.
2. Pursuant to various Building Ownership Certificates, the property with a total gross floor area of 167,149.96 sq.m. was vested in Zhejiang Zhuji New Nongdu Industrial Company Limited (浙江諸暨新農都實業有限公司) for market use.
3. We have been provided with a legal opinion on the property issued by the PRC Legal Adviser, which contains, inter alia, the following:
 - a. Zhejiang Zhuji New Nongdu Industrial Company Limited (浙江諸暨新農都實業有限公司) has legally obtained the land use rights and building ownership of the property; and
 - b. The property is subject to various mortgages and the property can be transferred upon approvals of respective banks.
4. Our inspection was performed by Dr. Alan Lee in June 2018.
5. For the premises without proper title certificates, their values have not been included in our valuation.

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 August 2018
4.	New Nongdou Zhangxing Logistic Centre situated in Liujiadu Village, Lijiexiang Town, Zhangxing City, Zhejiang Province, The PRC 中國浙江省長興市李家巷鎮劉家渡村浙江新農都長興物流中心	The property comprises various commercial buildings and ancillary structures. The gross floor area of the property is approximately 29,627.01 sq.m.. The property also comprises various structures with a gross floor area of 42,317.77 sq.m. without relevant title certificate. For details please refer to Note 5. The land use rights of the property have been granted for various terms and the earliest expiring term on 9 July 2054.	The property is leased.	RMB133,000,000

Notes:

1. Pursuant to 4 State-owned Land Use Rights Certificates, the land use rights of the property with a total site area of 106,011.6 sq.m. were granted to Zhejiang Changxing New Agricultural All Industrial Company Limited (浙江長興新農都實業有限公司) for various terms and the earliest expiring term on 9 July 2054.
2. Pursuant to various Building Ownership Certificates, the property with a total gross floor area of 29,627.01 sq.m. was vested in Zhejiang Changxing New Agricultural All Industrial Company Limited (浙江長興新農都實業有限公司) for commercial service use.
3. We have been provided with a legal opinion on the property issued by the PRC Legal Adviser, which contains, inter alia, the following:
 - a. Zhejiang Changxing New Agricultural All Industrial Company Limited (浙江長興新農都實業有限公司) has legally obtained the land use rights and building ownership of the property; and
 - b. The property is subject to various mortgages and the property can be transferred upon approvals of respective banks.
4. Our inspection was performed by Dr. Alan Lee in June 2018.
5. In the valuation of the portion without relevant title document, we have attributed no commercial value. However, for reference purpose, we are of the opinion that the reference value as of the Date of Valuation would be RMB190,000,000 assuming all relevant title certificates have been obtained and the portion could be freely transferred in the market.
6. Apart from the premises in Note 5, for the premises without proper title certificates, their values have not been included in our valuation.

VALUATION CERTIFICATE

Group II – Property to be developed and acquired by the Zhejiang Xinnongdou Group in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 August 2018
5.	New Nongdou Zhangxing Logistic Centre situated in Liujiadu Village, Lijiaxiang Town, Zhangxing City, Zhejiang Province, The PRC 中國浙江省長興市李家巷鎮劉家渡村浙江新農都長興物流中心	The property comprises 2 parcels of lands with a total site area of approximately 108,825 sq.m.. The proposed gross floor area of the property is approximately 388,629.80 sq.m.. The land use rights of the property have been granted for a term expiring on 9 July 2054 for commercial use.	The property is to be developed.	RMB311,000,000.

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates, the land use rights of the property with a total site area of 108,825 sq.m. were granted to Zhejiang Changxing New Agricultural All Industrial Company Limited (浙江長興新農都實業有限公司) for a common term expiring on 9 July 2054 for commercial use.
2. We have been provided with a legal opinion on the property issued by the PRC Legal Adviser, which contains, inter alia, the following:
 - a. Zhejiang Changxing New Agricultural All Industrial Company Limited (浙江長興新農都實業有限公司) has legally obtained the land use rights and building ownership of the property; and
 - b. The property is subject to various mortgages.
3. Our inspection was performed by Dr. Alan Lee in June 2018.
4. For the premises without proper title certificates, their values have not been included in our valuation.

1. 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 Company. 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.

2. DISCLOSURE OF INTERESTS

(a) Disclosure of interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be 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 he is taken or deemed to have under such provisions of SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Name of Group member/ associated corporation	Capacity/nature of interest	Number of share(s) held (Note 1)	Approximate percentage of shareholding
Mr Shi Kancheng	The Company	Interest of controlled corporation (Note 2)	1,301,303,594 Shares (L)	70.92%
	Zhong An	Interest of controlled corporation (Note 3)	3,262,411,200 shares of HK\$0.10 each (L)	56.15%
		Beneficial owner (Note 4)	10,367,440 shares of HK\$0.10 each (L)	0.18%
	Whole Good	Beneficial owner	1 share of US\$1.00 (L)	100%
Ms. Jin Ni	Zhong An	Beneficial owner (Note 5)	3,722,480 shares of HK\$0.10 each (L)	0.06%
Mr. Dong Shuixiao	Zhong An	Beneficial owner (Note 6)	3,722,480 shares of HK\$0.10 each (L)	0.06%
Ms. Tang Yiyang	Zhong An	Beneficial owner (Note 7)	600,000 shares of HK\$0.10 each (L)	0.01%

Notes:

1. The letter “L” denotes the person’s long position in the shares and underlying shares of the Company or the relevant associated corporation.
2. Among these 1,301,303,594 Shares, 1,270,000,000 Shares are held by Ideal World, a wholly owned subsidiary of Zhong An. The entire issued shares of Zhong An are owned as to about 56.15% by Whole Good, which is wholly owned by Mr. Shi Kancheng. In addition, 31,303,594 Shares are held by Whole Good. By virtue of the SFO, Mr. Shi Kancheng is taken to be interested in the Shares in which each of Ideal World and Whole Good is interested.
3. These shares are held by Whole Good. By virtue of the SFO, Mr. Shi Kancheng is deemed to be interested in the shares of Zhong An in which Whole Good is interested.
4. These shares represent the underlying shares in Zhong An comprised in the options granted to and held by Mr. Shi Kancheng pursuant to its share option scheme adopted on 15 May 2009.
5. These shares represent the underlying shares in Zhong An comprised in the options granted to and held by Ms. Jin Ni pursuant to its share option scheme adopted on 15 May 2009.
6. These shares represent the underlying shares in Zhong An comprised in the options granted to and held by Mr. Dong Shuixiao pursuant to its share option scheme adopted on 15 May 2009.
7. These shares represent the underlying shares in Zhong An comprised in the options granted to and held by Ms. Tang Yiyang pursuant to its share option scheme adopted on 15 May 2009.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interest and short position in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of SFO) which (i) were required to be 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 he is taken or deemed to have under such provisions of SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following person, other than a Director or the chief executive of the Company, had an interest or a short position in the Shares and underlying Shares which (i) would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) 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 the general meetings of any other members of the Group, were as follows:

Name of shareholder	Capacity/nature of interest	Capital/Number of Share(s) held (Note 1)	Approximate percentage of the Company's issued share capital
Ideal World	Beneficial owner	1,270,000,000 Shares (L)	69.21%
Zhong An	Interest of controlled corporation (Note 2)	1,270,000,000 Shares (L)	69.21%
Whole Good	Interest of controlled corporation (Note 2)	1,270,000,000 Shares (L)	69.21%
	Beneficial owner	31,303,594 Shares (L)	1.71%

Notes:

- The Letter "L" denotes the person's long position in the Shares.
- These Shares are held by Ideal World, the wholly owned subsidiary of Zhong An. The entire issued shares of Zhong An are owned as to about 56.15% by Whole Good, which is wholly owned by Mr. Shi Kancheng. By virtue of the SFO, each of Zhong An, Whole Good and Mr. Shi Kancheng is taken to be interested in the Shares in which Ideal World is interested.

Save as disclosed above, as at the Latest Practicable Date, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed "2. Disclosure of Interests – (a) Disclosure of interests of Directors" above, no person had an interest or a short position in the Shares, or underlying Shares 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 the general meetings of any other members of the Group.

(c) Directors' service contracts

As at the Latest Practicable Date, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(d) Interest in contracts and arrangements of significance

None of the Directors had material interest in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

(e) Interest in competing business

To the best of the knowledge of the Directors, none of the Directors or their respective close associates has any interest in a business, which competes or may compete with the business of the Group.

(f) Interest in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

3. LITIGATION

As at the Latest Practicable Date, so far as is known to the Directors, neither the Company nor any of its subsidiaries is/are engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against the Company, that would have a material adverse effect on its results of operations or financial condition.

4. EXPERT

The following is the qualification of the expert who has given, or agreed to the inclusion of, its opinion or advice in this circular:–

Name	Qualification
Ernst & Young	Certified Public Accountants
Ravia Global Appraisal Advisory Limited	Professional surveyor

Each of the experts as set out above has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letter and/or summary of valuations (as the case maybe) and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the experts as set out above did not have any beneficial interest in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any direct or indirect interest in any asset which has since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the Group within two years immediately preceding the date of this circular and are or may be material:

- (a) the placing agreement dated 5 July 2017 entered into between (i) the Company as issuer and (ii) Eternal Pearl Securities Limited as placing agent; and a supplemental placing agreement dated 7 July 2017 entered into between (i) the Company as issuer and (ii) Eternal Pearl Securities Limited and Haitong International Securities Company Limited as placing agents in respect of placing, on a best effort basis, of up to 260,000,000 Shares to not less than six independent places at the placing price of HK\$1.82 per Share;
- (b) the equity transfer agreement dated 21 August 2017 entered into between (i) Zhong An Shenglong as purchaser and (ii) Hangzhou Oriental as vendor for the acquisition by Zhong An Shenglong of the 19.85% equity interest in Zhejiang Xinnongdou at the consideration of RMB327 million (this is, the Previous Equity Transfer Agreement referred to in this circular);

- (c) the joint venture agreement dated 24 November 2017 and the amended articles of association dated 24 November 2017 (collectively the “JV Documentation”) entered into between Complete Victory Enterprise Limited (全勝企業有限公司) (“Complete Victory”) (a subsidiary of the Company), Highest Joy Limited (高悅有限公司) (“Highest Joy”), Maggie & Rose (CN) Limited and Maggie & Rose (Greater China) Group Limited (the “JV Company”) in relation to the establishment and regulating the formation of the JV Company (pursuant to which Complete Victory agreed to contribute a total amount of RMB150 million or in HK\$ equivalent) to invest in the high quality family lifestyle business including, among other things, high quality flagship clubs operated under the “Maggie & Rose” brand, family clubs, children development and education institutions, nurseries, books, food and beverage and events using the System and/or websites or internet or other medium under the “Maggie & Rose” brand in the PRC, Macau and Taiwan. The JV Company, upon its formation, would become a subsidiary of the Company;
- (d) the exclusive licence agreement (for the PRC, Taiwan and Macau) dated 24 November 2017 entered into between Maggie & Rose (CN) Limited, Maggie & Rose Limited and the JV Company regarding the grant by Maggie & Rose (CN) Limited (as licensor) of exclusive license and make available certain intellectual property rights, free of charge to the JV Company (as licensee) for the business operation of the JV Company in the PRC, Macau and Taiwan for an initial term of 10 years and renewable for such further term in accordance with the terms and conditions contained in the exclusive licence agreement;
- (e) the service agreement dated 24 November 2017 entered into between the JV Company and Highest Joy pursuant to which Highest Joy (as service provider) agreed to provide technical and operational services, free of charge, to support the business operation of the business of the JV Company (as service receiver) in the PRC, Macau and Taiwan;
- (f) the cooperation agreement (“**Cooperation Agreement**”) dated 14 December 2017 entered into between (i) Zhongan Jiankang Chanye Development Co., Ltd* (眾安健康產業發展有限公司) (a subsidiary of the Company) as purchaser; (ii) Ms. Li Qiu Lian, Ms. Li Qiu Jiao and Zhaoqing Shi Weixin Shiye Co., Ltd* (肇慶市威信實業有限公司) (“**Weixin Shiye**”), as vendors; and (iii) Feng Hua (HK) Limited in relation to, among others (i) the acquisition of the entire equity interest of Huaiji Yueshan Hot Springs Resort District Co., Ltd* (懷集岳山溫泉旅游度假區有限公司) from Ms. Li Qiu Lian and Ms. Li Qiu Jiao at the consideration of RMB50 million, (which were agreed to be settled as to RMB10 million in cash and as to RMB40 million by the allotment and issue of 26,890,773 new Shares at the issue price of HK\$1.75 each); (ii) the establishment of a company to be established in the PRC (“**PRC Company**”) with Weixin Shiye with a total registered capital of RMB1 million (agreed to be contributed by Zhongan Jiankang (95%) and Weixin Shiye (5%) in proportion to their respective equity interests in PRC Company); and (iii) following the establishment of PRC Company, the acquisition of the 5% equity interest in the PRC Company from Weixin Shiye at the consideration of RMB50,000 (which was agreed to be settled in cash);

- (g) the equity transfer agreement dated 16 May 2018 (as supplemented by a supplemental equity transfer agreement dated 16 May 2018) entered into between (i) Zhong An Shenglong and China Business Alliance (Beijing) Commercial Investment Co., Ltd.* (中商聯盟(北京)商業投資有限公司) as purchasers and (ii) Wanxiang (Fujian) Zhiye Development Co., Ltd.* (萬象(福建)置業發展有限公司) (“**Wanxiang Fujian**”) as vendor for the acquisition by Zhong An Shenglong of the 51% equity interest in Xuzhou City Wanxiang Zhiye Development Co., Ltd.* (徐州市萬象置業發展有限公司) at the total consideration of RMB204 million (including a refundable performance security deposit of RMB60 million); and
- (h) the Equity Transfer Agreement.

6. MISCELLANEOUS

- (a) As at the Latest Practicable Date, the authorised share capital of the Company was HK\$500,000,000 divided into 5,000,000,000 Shares of a par value of HK\$0.10 each, of which 1,834,968,000 Shares were in issue.
- (b) The Company’s branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (c) The Company’s principal share registrar and transfer office in Cayman Islands is SMP Partners (Cayman) Limited at Royal Bank House-3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman KY1-1110 Cayman Islands.
- (d) The Company’s head office in the PRC is located at Room 1201, 12th Floor, Building 2, Highlong Plaza, North Ganjie Road, Xiaoshan, Hangzhou, Zhejiang Province, the PRC.
- (e) The secretary of the Company is Mr. Chiu Ngam, Chris. He is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (f) All references to dates in this circular refer to Hong Kong dates.
- (g) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 10:00 a.m. to 5:00 p.m. on any weekday (except public holidays) at the office of the Company at Room 4003-4, 40th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, up to and including the date falling on 14 days from the date of this circular:

- (a) the amended and restated memorandum of association of the Company and the amended and restated articles of association of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 December 2017;
- (c) the interim report of the Company for the six months ended 30 June 2018;
- (d) the accountants' report of Zhejiang Xinnongdou prepared by Ernst & Young, the text of which is set out in Appendix II of this circular;
- (e) the report prepared by Ernst & Young on unaudited pro forma financial information, the text of which is set out in Appendix III of this circular;
- (f) the valuation report (including a letter, a summary of valuation and the valuation certificate) prepared by Ravia Global Appraisal Advisory Limited, the texts of which are set out in Appendix IV of this circular;
- (g) the material contracts referred to in the sub-paragraph headed "5. Material Contracts" of this Appendix;
- (h) the written consent referred to in the sub-paragraph headed "4. Expert" of this Appendix; and
- (i) this circular.