THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser(s).

If you have sold or transferred all your shares in **Zhong An Real Estate Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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

眾安房產有限公司

ZHONG AN REAL ESTATE LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 672)

MAJOR TRANSACTION
IN RELATION TO
ACQUISITION OF FURTHER EQUITY INTEREST IN ZHEJIANG XINNONGDOU INDUSTRIAL CO., LTD.
AND
DEEMED DISPOSAL
RESULTING FROM THE ALLOTMENT AND ISSUE OF CONSIDERATION SHARES IN A SUBSIDIARY

30 November 2018

CONTENTS

DEFINITIONS

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

"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
"Acquisition Announcement"	the joint announcement of the Company and CNC dated 20 July 2018 in relation to the Acquisition
"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
"CNC"	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 liability, whose issued shares are listed on the main board of the Stock Exchange
"CNC Consideration Shares"	the 178,280,000 new CNC Shares to be allotted and issued by CNC at the issue price of HK$2.47 per CNC Consideration Share, credited as fully paid, for the purpose of settling the Consideration
"CNC Group"	CNC and its subsidiaries
"CNC Shares"	ordinary share(s) of HK$0.10 each in the share capital of CNC
"CNC Shareholders"	holder of CNC Share(s)
"Completion"	completion of the Equity Transfer Agreement in accordance with its terms
"Conditions"	the conditions precedent to completion of the Acquisition contemplated under the Equity Transfer Agreement as summarised in the paragraph "*The Equity Transfer Agreement – Conditions*" in the section "*Letter from the Board*" of this circular

"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
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Company and its subsidiaries immediately after the Acquisition
"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 Zhong An Group and the CNC Group collectively
"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
"Independent Third Party"	third party who is independent of CNC and its connected persons
"Last Trading Day"	19 July 2018, being the last trading day immediately preceding 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 ascertaining certain information in this circular
"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
"Model Code"	Model Code for Securities Transactions by Directors of Listed Companies, being Appendix 10 to the Listing Rules
"percentage ratios"	the applicable percentage ratios under Rule 14.07 of the Listing Rules

"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interest"	the 22.65% of the entire equity interest in Zhejiang Xinnongdou held by Hangzhou Oriental
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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 with limited liability, the entire issued shares of which is beneficially owned by Mr Shi Kancheng), being the controlling shareholder of the Company
"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 together with its direct or indirect subsidiaries, associated companies and branch offices
"Zhong An" or "Company"	Zhong An Real Estate Limited (眾安房產有限公司), an exempted company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on the main board of the Stock Exchange
"Zhong An Group" or "Group"	Zhong An and its subsidiaries
"Zhong An Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of Zhong An
"Zhong An Shareholder(s)"	holder(s) of Zhong An Share(s)
"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 CNC which, in turn, is a non-wholly owned subsidiary of Zhong An

"2017 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 interest in Zhejiang Xinnongdou from Hangzhou Oriental
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"sq. m."	square metre(s)
"%"	Percentage

* *denotes English translation of the name of a Chinese entity and is provided for identification purposes only.*

眾安房產有限公司
ZHONG AN REAL ESTATE LIMITED
(incorporated in the Cayman Islands with limited liability)
(Stock code: 672)

Executive Directors:
Mr Shi Kancheng (alias Shi Zhongan)
Ms Wang Shuiyun
Ms Shen Tiaojuan
Mr Zhang Jiangang
Mr Jin Jianrong

Non-executive Director:
Ms Shen Li

Independent non-executive Directors:
Professor Pei Ker Wei
Dr Loke Yu (alias Loke Hoi Lam)
Mr Zhang Huaqiao

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Principal place of business in Hong Kong:
Room 4006, 40/F
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26 Harbour Road
Wanchai
Hong Kong

30 November 2018

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
IN RELATION TO
ACQUISITION OF FURTHER EQUITY INTEREST IN
ZHEJIANG XINNONGDOU INDUSTRIAL CO., LTD.
AND
DEEMED DISPOSAL
RESULTING FROM THE ALLOTMENT AND ISSUE OF
CONSIDERATION SHARES IN A SUBSIDIARY

INTRODUCTION

Reference is made to the Acquisition Announcement in which the respective boards of directors of the Company and CNC jointly announced the Equity Transfer Agreement entered into between Zhong An Shenglong and Hangzhou Oriental pursuant to which Zhong An Shenglong has conditionally agreed to acquire from Hangzhou Oriental an additional 22.65% of the entire equity interest in Zhejiang Xinnongdou.

Subject to and immediately after the Completion, Zhong An Shenglong will, when aggregating with the 19.85% of the entire equity interest in Zhejiang Xinnongdou acquired by it from Hangzhou Oriental under the 2017 Equity Transfer Agreement, own an aggregate of 42.5% of the entire equity interest in Zhejiang Xinnongdou.

Major Transaction

The Acquisition contemplated under the Equity Transfer Agreement, when aggregated with the transaction concluded upon the terms and conditions contained in the 2017 Equity Transfer Agreement (as a result of which Zhong An Shenglong acquired from Hangzhou Oriental 19.85% of the entire equity interest in Zhejiang Xinnongdou) pursuant to Rule 14.22 of the Listing Rules, constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

Deemed Disposal

CNC is a subsidiary of the Company. The allotment and issue of the CNC Consideration Shares for settlement of the Consideration for the Acquisition contemplated under the Equity Transfer Agreement constitutes a deemed disposal by and a discloseable transaction for the Company under Chapter 14 of the Listing Rules, whose percentage share in the issued share capital of CNC will be diluted from approximately 69.21% to approximately 63.08%.

The purpose of this circular is to set out further details of the Acquisition contemplated under the Equity Transfer Agreement.

EQUITY TRANSFER AGREEMENT

Date

20 July 2018

Parties

Purchaser	:	Zhong An Shenglong (a non-wholly owned subsidiary of CNC which, in turn, is a non-wholly owned subsidiary of the Company)

		Zhong An Shenglong is principally engaged in property management business.
Vendor	:	Hangzhou Oriental
		Hangzhou Oriental is a limited liability company established in the PRC and its principal activity is investment holding.
		Save for Hangzhou Oriental's equity interest in Zhejiang Xinnongdou (which is an associated company of both the Company and CNC) and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Hangzhou Oriental and its ultimate beneficial owner(s) are third parties independent of the Company, CNC and their respective 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 the investment properties (with or without property title certificates) of approximately RMB4,119.2 million held by Zhejiang Xinnongdou (of which approximately RMB3,045.3 million represented the appraised asset value of such property interests with proper title certificates) as at 31 December 2017 as appraised by an independent qualified valuer in the PRC and the audited consolidated financial statements of Zhejiang Xinnongdou for the year ended 31 December 2017.

The Consideration will be settled by the allotment and issue of the CNC Consideration Shares by CNC 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 CNC Consideration Shares represent approximately 9.72% of the existing issued share capital of CNC and approximately 8.86% of the issued share capital of CNC as enlarged by the allotment and issue of the CNC Consideration Shares.

The CNC Consideration Shares will be issued pursuant to a specific mandate sought by CNC. The CNC Consideration Shares will rank equally with the CNC Shares in issue on the date of their allotment and issue.

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

(i) a premium of approximately 123% over the closing price of HK$1.11 per CNC 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 CNC 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 CNC Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

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

(v) a premium of approximately 155% over the closing price of HK$0.97 per CNC Share as quoted on the Stock Exchange on the Latest Practicable Date.

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

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

The CNC Consideration Shares, which will be issued upon Completion, are subject to the Conditions (as disclosed 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:

(i) (if required) the Company and CNC 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 CNC Consideration Shares;

(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 (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) CNC 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.

Completion

Subject to the fulfilment and/or waiver (as the case may be) of all the Conditions disclosed above, Completion will take place on the tenth Business Day thereafter.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF CNC AS A RESULT OF THE ISSUE OF THE CNC CONSIDERATION SHARES

Set out below is the shareholding structure of CNC (i) as at the date of the Acquisition Announcement, (ii) the Latest Practicable Date and (iii) immediately upon the allotment and issue of the CNC Consideration Shares, for illustration purpose only:

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

Notes:

1. *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 chairman and a non-executive director of CNC. Mr Shi Kancheng is also the chairman and an executive director of Zhong An.*

2. *According to the Equity Transfer Agreement, the Allottee to which the CNC Consideration Shares are to be allotted and issued shall be the Vendor (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, CNC and their respective connected persons).*

3. *As disclosed in the above shareholding table, immediately after completion of the allotment and issue of the CNC Consideration Shares, a minimum of 25% of the issued share capital of CNC will be in public hands.*

EFFECT ON THE COMPANY AN AS A RESULT OF THE ALLOTMENT AND ISSUE OF THE CNC CONSIDERATION SHARES BY CNC IN CONTEMPLATION OF THE ACQUISITION

CNC is a subsidiary of the Company. As at the Latest Practicable Date, the Company owns approximately 69.21% of the total number of shares in issue of CNC.

The audited consolidated profits and net asset value of CNC for the two years ended 31 December 2017 as extracted from its 2017 annual report are as follows:

	For the year ended	
	31 December 2016	**31 December 2017**
	RMB'000	*RMB'000*
Profit before taxation and extraordinary items	266,707	752,090
Profit after taxation and extraordinary items	137,065	466,358

	As at	
	31 December 2016	**31 December 2017**
	RMB'000	*RMB'000*
Net asset value	5,342,059	6,008,356

The allotment and issue of the CNC Consideration Shares by CNC upon Completion will have the effect of diluting the percentage shareholding of the Company in CNC. The Acquisition will, upon its consummation, constitute a **deemed disposal** by the Company under Chapter 14 of the Listing Rules, whose percentage share in the total number of shares in issue of CNC will be diluted from approximately 69.21% to approximately 63.08%.

CNC will continue to be a subsidiary of the Company following completion of the Acquisition.

INFORMATION ON THE ZHEJIANG XINNONGDOU GROUP

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 Independent Third Parties. The principal activities of the Zhejiang Xinnongdou Group are trading of agricultural products, market operation and management.

Based on the unaudited consolidated financial statements of Zhejiang Xinnongdou for the year ended 31 December 2016, the net asset value of Zhejiang Xinnongdou was approximately RMB1,415,124,000 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 RMB158,011,000 and RMB89,670,000, respectively.

Based on the unaudited consolidated financial statements of Zhejiang Xinnongdou for the year ended 31 December 2017, the net asset value of Zhejiang Xinnongdou was approximately RMB1,773,149,000 as of 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 RMB89,951,000 and RMB36,936,000, respectively.

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

Please refer to **Appendix IV** to this circular for the valuation report on the property interests held by the Zhejiang Xinnongdou Group in the PRC as at 31 August 2018.

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 property interests 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 the Listing Rules is set out below:

	RMB'000
Net book value of Zhejiang Xinnongdou Group's investment property interests as at 30 June 2018 as set out in the 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 the 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	93,051
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	3,320,000

* *Ravia Global Appraisal Advisory Limited is unable to perform valuation for investment property interests without proper title certificates as they cannot be transferred in the open market. Such property interests can only be transferred after proper title certificate or pre-sale certificate is granted.*

REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Company is an investment holding company. The principal activities of the Zhong An Group are property development, leasing and hotel operation in the PRC.

The principal activity of CNC 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.

The Acquisition envisaged under the Equity Transfer Agreement would allow the Group to capture the business and development opportunities arising from, among others, (i) the investment properties and construction in progress owned by the Zhejiang Xinnongdou Group and (ii) the demand for modern logistics platform for agricultural products.

(i) the investment properties and construction in progress owned by the Zhejiang Xinnongdou Group

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 represented 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 the Zhejiang Xinnongdou Group are located within the Zhejiang Province. Furthermore, all of such logistics centres are built with hotels ancillary thereto. The CNC Group is a renowned commercial property developer and operator in the Yangtze River Delta region with headquarters in Hangzhou, Zhejiang Province, the PRC.

The Acquisition will be beneficial to the businesses of the Group (in particular those of the CNC, which is a significant subsidiary of the Company and its results are consolidated into the results of the Group) in the long run due to the following factors:

(a) (in respect of the undeveloped land of Zhejiang Xinnongdou Group) the CNC Group's experience in the 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 CNC Group's experience in the sales of commercial properties will also improve the ability of the developed properties for sale in the future;

(b) (in respect of existing investment properties) the CNC 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;

(c) as the logistics centres disclosed above of the 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, may 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;

(d) the CNC Group's experience in operation and management of properties, shopping malls and hotels could enhance the operational efficiency and performance of the logistics centres of the Zhejiang Xinnongdou Group and increase the revenue from rent and management fees generated from the logistics centres.

The CNC Group has over 1,000 employees in the Zhejiang Province, who can be deployed in the business operation of the logistics centres. The experience and expertise of the CNC Group is expected to complement the strength of the Zhejiang Xinnongdou Group and generate synergies for each other. The CNC Group initially plans to allocate about 10 employees to each logistics centre and the headquarters of the Zhejiang Xinnongdou Group.

(e) 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), may have advantages over private enterprises in terms of obtaining land, and the CNC Group may have the opportunity in the future to seek guidance or assistance as far as the enhancement of its commercial land portfolio is concerned.

(ii) the demand for modern logistics platform for agricultural products

The demand for modern logistics platform is brought by the continued urbanization, economic growth and improvement in living standards of the residents in the Yangtze River Delta region. 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.

As disclosed in the Company's 2017 annual report, apart from the Group's principal activities, the Group has also achieved progress in areas (such as education and culture, healthcare, entertainment, leisure travel and modern agriculture) that may promote or complement its property business. The Group also provides quality property management services to the communities located in properties developed by the Group and other developers. The modern logistics platform run by the Zhejiang Xinnongdou Group can enhance the ability of the Group to (i) introduce, provide or offer customer-oriented, wide-variety services and (ii) embrace automation by leveraging on the expertise of the Zhejiang Xinnongdou Group in the trading and marketing of agricultural products to strengthen the Group's modern logistics platform. This, in turn, will help strengthen the Group's corporate brand name and management. The above diversification is conducive to the long term growth and sustainable development of the Group as a whole, and enhancing shareholder value in the long run.

The Directors consider that the terms of the Acquisition contemplated under the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and the Zhong An Shareholders as a whole.

Accordingly, the Directors will recommend the Zhong An Shareholders to vote in favour of the relevant ordinary resolution in respect of approving the Acquisition if a general meeting is convened.

FINANCIAL EFFECT OF THE ACQUISITION

Upon completion of the Acquisition, Zhejiang Xinnongdou will be accounted for as an associate 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 Enlarged Group as set out in **Appendix III** to this circular, it is expected that upon Completion:

There will be 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 allotment and issue of the Consideration Shares by CNC upon Completion will have the effect of diluting the percentage shareholding of Zhong An in CNC. The Acquisition will therefore, upon its consummation, constitute a deemed disposal by the Company under Chapter 14 of the Listing Rules, whose percentage share in the total number of CNC Shares in issue will be diluted by approximately 69.21% to approximately 63.08%.

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. Any 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 effects from the Acquisition and the deemed disposal as disclosed above, 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.

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisition, when aggregated with the initial acquisition under the 2017 Equity Transfer Agreement pursuant to Rule 14.22 of the Listing Rules, are more than 25% but below 75% for the Company, the Acquisition constitutes a **major transaction** for the Company under Chapter 14 of the Listing Rules and is conditional on approval by Zhong An Shareholders pursuant to Rule 14.40 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the deemed disposal resulting from the allotment and issue of the CNC Consideration Shares by CNC (a subsidiary of the Company) for the Acquisition exceeds 5% but less than 25%, the deemed disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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.

So far as the Directors are aware after making reasonable enquiries, no Shareholder would have been required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition.

Pursuant to Rule 14.44 of the Listing Rules, a written shareholder's approval for the Acquisition was obtained by the Company from Whole Good Management Limited, which held approximately 56.08% 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 Acquisition.

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 Acquisition Announcement was issued by the Company jointly with CNC 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 Company's two announcements issued jointly with CNC 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 thereunder and voting was required, the Directors would have recommended the Zhong An Shareholders to vote in favour of such resolutions based on the reasons disclosed in this letter.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board of
Zhong An Real Estate Limited
Shi Kancheng
Chairman

1. CONSOLIDATED FINANCIAL STATEMENTS

The audited consolidated financial statements of the Group for the financial year ended 31 December 2015 are disclosed in the **Annual Report 2015** of the Company, which was published on 12 April 2016.

The audited consolidated financial statements of the Group for the financial year ended 31 December 2016 are disclosed in the **Annual Report 2016** of the Company, which was published on 24 April 2017.

The audited consolidated financial statements of the Group for the financial year ended 31 December 2017 are disclosed in the **Annual Report 2017** of the Company, which was published on 26 April 2018.

The unaudited consolidated financial statements of the Group for the six months period ended 30 June 2018 are disclosed in the **Interim Report 2018** of the Company, which was published on 20 September 2018.

The audited consolidated financial statements of the Group for each of the three financial years ended 31 December 2015, 2016 and 2017 were audited by Ernst & Young, Certified Public Accountants, and did not contain any qualifications.

The above annual and interim reports of the Company are also posted on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.zafc.com). The quick links to the above annual and interim reports of the Company are set out below.

2015 Annual Report (pages 91 to 251)	http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0412/LTN20160412246.pdf (English version) http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0412/LTN20160412247_C.pdf (Chinese version)
2016 Annual Report (pages 86 to 251)	http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN201704271737.pdf (English version) http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN201704271738_C.pdf (Chinese version)

2017 Annual Report (pages 92 to 258)	http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0426/LTN20180426765.pdf (English version)
	http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0426/LTN20180426766_C.pdf (Chinese version)
2018 Interim Report (pages 22 to 76)	http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0920/LTN201809201079.pdf (English version)
	http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0920/LTN201809201080_C.pdf (Chinese version)

INDEBTEDNESS, LIQUIDITY AND FINANCIAL RESOURCES

At the close of business on 30 September 2018 (being the latest practicable date for the purpose of this indebtedness statement):

(1) Borrowings

the Group had bank and other borrowings of approximately RMB2,389 million, which would be due within one year, and the long term bank and other borrowings of approximately RMB3,132 million; and

(2) Contingent liabilities

the Group had aggregate contingent liabilities of approximate RMB2,566 million regarding guarantees provided by the Group in respect of mortgage facilities granted by certain banks and Housing Fund Management Authorities* (住房公積金管理機構) to the purchasers of the Group's properties.

Save as disclosed above and otherwise mentioned herein, and apart from intra-group liabilities, none of the members of the Group had, at the close of business on 30 September 2018, any outstanding mortgages, charges, debenture, loan capital issued and outstanding or agreed to be issued, bank loan and overdraft or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantee or other material contingent liabilities.

WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, based on the present available banking facilities and the internal resources of the Group, the working capital available to the Group is sufficient for its present requirements for at least 12 months from the date of this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest audited financial statements of the Group were made up.

FINANCIAL AND TRADING PROSPECTS

For the year ended 31 December 2017, the Group had achieved audited revenue of RMB4,395.1 million respectively, as compared to that of corresponding year in 2016 of RMB5,007.1 million respectively. The decrease was due to the decrease in GFA of properties sold and delivered by the Group in 2017. The profit attributable to owners of the parent for 2017 was about RMB547.4 million, as compared to that of corresponding year in 2016 of RMB125.3 million respectively. The earnings per share for the year ended 31 December 2017 was RMB0.10, as compared to that of corresponding year in 2016 of RMB0.03.

As at 31 December 2017, the Group had aggregate cash and cash equivalents and restricted cash of about RMB3,433.0 million (2016: RMB1,442.1 million). As at 31 December 2017, the ratio of total liabilities to total assets of the Group was 59.9% (31 December 2016: 62.0%) and the net gearing ratio of the Group (defined as net debt divided by total equity) was 0.12 (2016: 0.50) (net debt is defined as total interest-bearing bank and other borrowings less cash and cash equivalent and total restricted cash).

For the six months ended 30 June 2018, the Group recorded an unaudited consolidated net profit after taxation of approximately RMB96 million and the unaudited consolidated net assets of the Group as at 30 June 2018 was approximately RMB9,249 million.

Looking forward to 2018, the global economy will continue toward full scale recovery, with the Chinese economy maintaining a stable and upward trend under the 'new normal' conditions. It is believed that the PRC government will continue to facilitate housing system reform by combining short-term adjustment and control with long-term systems, and by directing the classification, adjustment and control of "implementation of policies based on a city's situations" and "various policies for one city" to improve the multi-layered housing supply system. In the current unfavorable development environment, mergers and acquisitions may become the industry mainstream, and the concentration in the real estate industry continue to increase. For third and fourth tiers cities with more inventory, destocking remains the main task, though substantially lowering prices may be difficult as first and second tiers cities have less inventory. The Group's major development area is the Yangtze River Delta Region, which boasts a strong economic base and a low-cost land bank. Benefiting from the PRC's "One Belt One Road" and "Yangtze River Economic Zone" strategies, it is believed that the real estate market will remain the trend of stable development.

The Group will continue to promote its business model of 'acquiring land and selling products at a fair price; developing projects and collecting sales proceeds in a quick process'. To accelerate asset turnover, the Group will develop more quick-sale products targeting end-users and high value-added, low-density residential units. It will continue to fully leverage our strong brand name and optimise its marketing approaches and channels to achieve rapid growth in sales.

Meanwhile, the Group will expand its business in first and second tiers cities as well as third and fourth tiers cities with healthy market development by means of cooperation and acquisition, in-depth study of regional economic markets and real estate policies, and exploration of valuable low-lying land. The Group will also carefully analyse consumer demand and preferences to enhance its ability to innovate and improve existing products, progressively building mature product lines of full competitiveness.

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.

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

The Directors
Zhong An Real Estate Limited
Room 4006, 40/F
China Resources Building
26 Harbour Road
Wanchai
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-4 to II-68, 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-4 to II-68 forms an integral part of this report, which has been prepared for inclusion in the circular of Zhong An Real Estate 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-4 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

		Year ended 31 December			Six months ended 30 June	
	Notes	**2015**	**2016**	**2017**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(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

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

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
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	31,454	289,636	224,058	(124,986)	8,112
Attributable to:					
Owners of the parent	37,832	163,257	110,216	(80,006)	29,698
Non-controlling interests	(6,378)	126,379	113,842	(44,980)	(21,586)
	31,454	289,636	224,058	(124,986)	8,112

(B) Consolidated Statements of Financial Position

		As at 31 December			As at 30 June
	Notes	**2015**	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
Total non-current assets		3,159,212	4,153,209	4,393,237	4,283,060
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
Total current assets		662,934	1,027,374	1,317,329	951,971
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
Total current liabilities		1,187,913	1,833,029	2,008,792	1,491,500
NET CURRENT LIABILITIES		524,979	805,655	691,463	539,529
TOTAL ASSETS LESS CURRENT LIABILITIES		2,634,233	3,347,554	3,701,774	3,743,531

					As at
		As at 31 December			30 June
	Notes	2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*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		1,508,745	1,932,430	1,928,625	1,925,359
Net assets		1,125,488	1,415,124	1,773,149	1,818,172
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
		1,003,770	1,167,027	1,404,115	1,470,724
Non-controlling interests		121,718	248,097	369,034	347,448
Total equity		1,125,488	1,415,124	1,773,149	1,818,172

(C) Consolidated Statements of Changes in Equity

	Attributable to owners of the parent						
	Issued capital	Statutory surplus reserves	Retained earnings	Other comprehensive income	Total	Non-controlling interests	Total equity
	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	300,000	91,869	761,846	250,400	1,404,115	369,034	1,773,149

	Attributable to owners of the parent						
	Issued capital	Statutory surplus reserves	Retained earnings	Other comprehensive income	Total	Non-controlling interests	Total equity
	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	300,000	91,869	826,108	252,747	1,470,724	347,448	1,818,172
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)	300,000	90,273	702,125	73,043	1,165,441	207,211	1,372,652

(D) Consolidated Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
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
	(19,698)	(35,542)	(74,500)	(61,384)	(29,446)
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)
	116,081	210,418	353,404	355,294	(266,614)
Cash generated from/(used in) operations	96,383	174,876	278,904	293,910	(296,060)

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
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

(E) Statements of Financial Position

	Notes	As at 31 December 2015	2016	2017	As at 30 June 2018
		RMB'000	RMB'000	RMB'000	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
Total non-current assets		2,443,390	2,256,198	2,135,291	2,136,501
CURRENT ASSETS					
Trade and bills receivables	19	9,160	–	2,091	–
Other current assets	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
Total current assets		637,089	856,875	977,016	699,204
CURRENT LIABILITIES					
Trade and bills payables	22	9,987	23,102	10,953	8,848
Prepayments, deposits and other receivables	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	–
Total current liabilities		820,512	885,101	783,846	644,864
NET CURRENT LIABILITIES/(ASSETS)		183,423	28,226	(193,170)	(54,340)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,259,967	2,227,972	2,328,461	2,190,841

		As at 31 December			As at 30 June
	Notes	**2015**	**2016**	**2017**	**2018**
		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
Total non-current liabilities		1,166,459	1,116,698	1,201,232	1,044,676
Net assets		1,093,508	1,111,274	1,127,229	1,146,165
EQUITY					
Issued capital	*25*	300,000	300,000	300,000	300,000
Reserves	*26*	793,508	811,274	827,229	846,165
Total equity		1,093,508	1,111,274	1,127,229	1,146,165

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	*Leases*[1]
IFRS 17	*Insurance Contracts*[2]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

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.

Information about a major customer

No revenue amounted to 10% or more of the Target Group's revenue was derived from sales to a single customer or a group of customers under common control in the Relevant Periods.

Revenue is recognized at a point in time when control of the goods or services is transferred to the customer, generally upon receipt of the goods or services, at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

An analysis of the Target Group's revenue, other income and gains is as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue					
Sales of goods	49,656	46,675	66,462	15,581	27,135
Rental income	56,620	65,846	76,878	28,112	57,638
Management fee	22,125	24,428	25,734	10,369	10,087
	128,401	136,949	169,074	54,062	94,860

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Other income					
Disposal of investment properties	4,293	249,287	270,020	78,469	116,355
Interest income	2,687	4,100	6,464	3,048	3,326
Others	1,356	633	2,007	960	987
	8,336	254,020	278,491	82,477	120,668
Gains					
Government grants	18,612	2,407	2,099	1,471	1,230
Gain on disposal of a subsidiary	–	–	4,428	4,428	–
	18,612	2,407	6,527	5,899	1,230
	155,349	393,376	454,092	142,438	216,758

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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest on bank loans and other borrowings	122,053	153,370	171,649	119,469	60,973
Less: Interest capitalised	(33,426)	(79,856)	(52,396)	(60,079)	(6,521)
Finance costs	88,627	73,514	119,253	59,390	54,452

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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(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	1,958	2,694	4,409	364	196
Total cost of sales	54,096	42,004	60,498	17,300	25,518
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	–	–	4,428	4,428	–

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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
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
	892	1,038	1,442	270	261

Year ended 31 December 2015:

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

Year ended 31 December 2016:

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

Year ended 31 December 2017:

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

Six months ended 30 June 2018:

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

Six months ended 30 June 2017 (Unaudited):

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

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

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

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 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*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
	1,200	1,396	1,941	370	368

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 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
				(Unaudited)	
Nil to RMB1,000,000	3	3	3	3	3

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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
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)
Tax charge for the year/period	32,913	68,341	52,988	8,461	47,113

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
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)
Tax charge at the Target Group's effective rate	32,913	68,341	52,988	8,461	47,113

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	Electronic equipment	Motor vehicles	Machinery and furniture	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	10,167	2,297	5,684	10,147	217,949	246,244

The Target Group

	Office equipment *RMB'000*	Electronic equipment *RMB'000*	Motor vehicles *RMB'000*	Machinery and furniture *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
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	2,296	694	1,014	5,420	217,949	227,373
As at 31 December 2017	2,643	947	1,228	5,499	194,444	204,761
As at 31 December 2016	2,827	591	1,153	6,495	1,257,844	1,268,910
As at 31 December 2015	2,862	836	1,689	7,789	915,187	928,363

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.

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
As at 31 December 2015 and 1 January 2016	5,277	3,545	8,822
Additions	1,169	38	1,207
As at 31 December 2016 and 1 January 2017	6,446	3,583	10,029
Additions	325	–	325
As at 31 December 2017 and 1 January 2018	6,771	3,583	10,354
Additions	145	–	145
As at 30 June 2018	6,916	3,583	10,499

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)
As at 31 December 2015 and 1 January 2016	(3,462)	(2,683)	(6,145)
Charge for the year	(1,308)	(282)	(1,590)
As at 31 December 2016 and 1 January 2017	(4,770)	(2,965)	(7,735)
Charge for the year	(878)	(327)	(1,205)
As at 31 December 2017 and 1 January 2018	(5,648)	(3,292)	(8,940)
Charge for the year	(208)	(75)	(283)
As at 30 June 2018	(5,856)	(3,367)	(9,223)
Net book value			
As at 30 June 2018	1,060	216	1,276
As at 31 December 2017	1,123	291	1,414
As at 31 December 2016	1,676	618	2,294
As at 31 December 2015	1,815	862	2,677

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 2017 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
	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
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.

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

15. INTANGIBLE ASSETS

The Target Group

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

The Target Company

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

16. DEFERRED TAX

The Target Group

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

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	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*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)

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	–	3,925	758	(162,512)	(157,829)

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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	74	104	693	68
Goods in stock	5,985	6,915	6,791	4,521
Goods in transit	364	81	672	–
	6,423	7,100	8,156	4,589

19. TRADE AND BILLS RECEIVABLES

The Target Group

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

(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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	838	6,602	7,962	3,963
1 to 2 years	98	189	520	–
2 to 3 years	–	–	11	–
	936	6,791	8,493	3,963
Less: impairment	9	18	53	53
	927	6,773	8,440	3,910

(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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	410	9	18	53
Impairment losses recognised	–	9	35	–
Impairment losses reversed	(401)	–	–	–
End of the year/period	9	18	53	53

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.

The Target Company

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

(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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	5,660	–	2,091	–
1 to 2 years	3,500	–	–	–
	9,160	–	2,091	–

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Target Group

		As at 31 December			As at 30 June
	Note	**2015**	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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		18,101	2,001	9,526	35,831
		369,151	588,199	576,106	505,654

(a) Prepayments and other receivables

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

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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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	242	502	1,209	1,108

The Target Company

		As at 31 December			As at 30 June
	Note	2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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		231,130	399,430	496,708	348,362
		468,102	742,361	829,623	522,156

(a) Prepayments and other receivables

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

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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Beginning of the year/period	82	164	370	356
Impairment losses recognised	82	206	–	–
Impairment losses reversed	–	–	(14)	–
End of the year/period	164	370	356	356

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

The Target Group

	Year ended 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	257,794	421,775	603,048	365,681
Other monetary assets	28,639	3,527	121,579	72,137
	286,433	425,302	724,627	437,818
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
	120	6,927	127,107	78,660
	286,313	418,375	597,520	359,158

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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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

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.

22. TRADE AND BILLS PAYABLES

The Target Group

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

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

	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 June 2018
	RMB'000	RMB'000	RMB'000	RMB'000
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
	29,719	164,973	268,382	295,089

The Target Company

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

(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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
	9,547	23,007	10,953	8,690

23. OTHER PAYABLES AND ACCRUALS

The Target Group

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables *(Note a)*	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
	548,224	844,508	871,320	610,514

The Target Company

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables *(Note a)*	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
	232,025	231,399	246,669	116,016

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

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
			606,509			761,014			812,232

	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
			1,868,351			2,378,576			2,344,188

	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	140,000
			570,000
Non-current			
Bank-secured	5.1-12.0	2019-2025	1,550,628
			2,120,628

	Year ended 31 December 2015	2016	2017	As at 30 June 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
	1,868,351	2,378,576	2,344,188	2,120,628

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 2015	2016	2017	As at 30 June 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
	1,574,591	2,257,260	2,590,019	2,631,627

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
			578,500			630,600			520,100

	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
			1,508,400			1,511,400			1,495,800

	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	140,000
			520,000
Non-current			
Bank-secured	5.1-12.0	2020-2025	835,700
			1,355,700

	Year ended 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*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	438,700	417,700	277,500	165,000
	1,508,400	1,511,400	1,495,800	1,355,700

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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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.

The Target Company

	Issued capital	Statutory Surplus reserves	Retained Earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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	300,000	91,869	754,296	1,146,165

27. COMMITMENTS

(a) Capital commitments

The Target Group

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

(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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	–	–

(b) Outstanding balances with related parties:

	Year ended 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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	–	–	–

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	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
	630,571	999,983	1,289,233	922,842
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
	2,446,287	3,365,955	3,482,751	3,026,231

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			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments at fair value through profit or loss	–	–	10,000	10,000

As at 31 December 2016

	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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.

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	Within one year	Over one year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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	Within one year	Over one year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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	Within one year	Over one year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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	Within one year	Over one year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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*(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.

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.

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.

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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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

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 are of the view that the risk of Zhejiang Xinnongdou's going concern uncertainty is relative low due to (i) the investment properties currently classified as non-current assets can be disposed of to fulfill the liquidity requirements as and when necessary; (ii) Zhejiang Xinnongdou 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 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 in the Company's interests to pursue 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.

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 ARANGEMENTS

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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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 Zhong An Real Estate Limited (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 statements 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 as at 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*

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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3*	*Note 3*	
NON-CURRENT ASSETS				
Non-current assets				
Property and equipment	2,075,553			2,075,553
Investment properties	5,427,628			5,427,628
Properties under development	1,366,425			1,366,425
Financial assets at fair value through other comprehensive income	373,834	(327,000)		46,834
Long term prepayments	275,733			275,733
Investment in an associate	–	327,000	352,994	679,994
Deferred tax assets	128,803			128,803
Restricted cash	526,572			526,572
Total non-current assets	**10,174,548**			**10,527,542**
Current assets				
Completed properties held for sale	3,371,384			3,371,384
Properties under development	8,870,309			8,870,309
Inventories	19,066			19,066
Trade and bills receivables	58,752			58,752
Prepayments, deposits and other receivables	2,704,777			2,704,777
Financial assets at fair value through profit or loss	73,403			73,403
Restricted cash	792,829			792,829
Cash and cash equivalents	1,024,109			1,024,109
Investment properties classified as held for sale	92,772			92,772
Total current assets	**17,007,401**			**17,007,401**

	The Group as at 30 June 2018	Pro forma adjustments		Unaudited Enlarged Group as at 30 June 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3*	*Note 3*	
Current liabilities				
Advance from a joint venture	228,519			228,519
Trade payables	1,543,757			1,543,757
Other payables and accruals	2,947,274			2,947,274
Advances from customers	5,770,104			5,770,104
Interest-bearing bank and other borrowings	2,889,989			2,889,989
Tax payable	1,009,170			1,009,170
Total current liabilities	**14,388,813**			**14,388,813**
Non-current liabilities				
Interest-bearing bank and other borrowings	2,435,500			2,435,500
Deferred tax liabilities	1,108,986			1,108,986
Total non-current liabilities	**3,544,486**			**3,544,486**
Equity				
Equity attributable to owners of the parent				
Share capital	514,951			514,951
Treasury share	(4,108)			(4,108)
Reserves	6,981,045		208,129	7,189,174
	7,491,888			7,700,017
Non-controlling interests	1,756,762		144,865	1,901,627
Total equity	9,248,650			9,601,644

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 audited 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 China New City Commercial Development Limited, a subsidiary of the Company will be issuable by China New City Commercial Development Limited 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 Zhong An Real Estate Limited,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Zhong An Real Estate 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 the 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

RAVIA GLOBAL APPRAISAL ADVISORY LIMITED

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7-429 Hennessy Road, Wan Chai, Hong Kong
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W: www.raviagroup.com
E: general@raviagroup.com

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) (the "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 outgoings 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 the Zhejiang Xinnongdou Group in the PRC

No.	Property	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	RMB1,626,000,000.
2.	Various commercial units in New Nongdou Quzhou Wholesale Market situated in the western of the Exit of G20 Hangjinqu 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	RMB498,000,000.
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	RMB752,000,000.
4.	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	RMB133,000,000.
	Total:	RMB3,009,000,000.

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

No.	Property	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	RMB311,000,000.
	Total:	**RMB311,000,000.**

VALUATION CERTIFICATE

Group I – Properties for investment purpose to be 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
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 Zhejiang New Nongdu Industrial Company Limited (浙江新農都實業有限公司) 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 Zhejiang New Nongdu Industrial Company Limited (浙江新農都實業有限公司) 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. Zhejiang New Nongdu Industrial Company Limited (浙江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
2.	Various commercial units in New Nongdou Quzhou Wholesale Market situated in the western of the Exit of G20 Hangjinqu 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, 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 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 is not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or the chief executive(s) of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning 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 they have taken or deemed to have taken under such provisions of the SFO); or (ii) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (iii) were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(1) Long position in shares in the Company

Name of Director	Capacity and nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Mr Shi Kancheng	Interest of controlled corporation *(Note)*	3,262,411,200	56.15

Note: These Shares are held by Whole Good Management Limited, the entire issued share capital of which is solely and beneficially owned by Mr Shi Kancheng. Mr Shi Kancheng is the sole director of Whole Good Management Limited, and the chairman and an executive director of the Company.

(2) Long positions in underlying shares in the Company

Name of Director	Capacity and nature of interest	Number of underlying Shares held *(Note)*	Approximate percentage of the Company's issued share capital
Mr Shi Kancheng	Beneficial owner	10,367,440	0.18
Ms Shen Tiaojuan	Beneficial owner	5,283,720	0.09
Mr Zhang Jiangang	Beneficial owner	4,843,410	0.08
Mr Jin Jianrong	Beneficial owner	3,722,480	0.06
Professor Pei Ker Wei	Beneficial owner	1,320,930	0.02
Dr Loke Yu	Beneficial owner	1,320,930	0.02

Note: These represent the number of Shares which may fall to be allotted and issued to the respective Directors upon the exercise of the subscription rights attached to the share options granted to each of them pursuant to the share option scheme adopted by the Company on 15 May 2009.

(3) Long positions in shares in the associated corporation

Number of shares held and nature of interest in CNC, a non-wholly owned subsidiary of the Company whose issued shares are listed on the Stock Exchange:

Name of Director	Capacity and nature of interest	Number and class of securities held	Approximate percentage of CNC's issued share capital
Mr Shi Kancheng	Interest of controlled corporation	31,303,594 CNC Shares	1.71%

Note: These CNC Shares are held by Whole Good Management Limited, the entire issued share capital of which is solely and beneficially owned by Mr Shi Kancheng. Mr Shi Kancheng is the sole director of Whole Good Management Limited, the chairman and non-executive director of CNC.

3. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WITH INTERESTS IN THE COMPANY WHICH ARE DISCLOSEABLE UNDER SECTION 336 OF PART XV OF THE SFO

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director) were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long positions in Shares of the Company:

Name of shareholder	**Capacity**	**Number of Shares**	**Approximate percentage of the Company's issued share capital** *(Note 3)*
Whole Good Management Limited ("**Whole Good**") *(Note 1)*	Beneficial owner	3,262,411,200	56.15
Haitong International Credit Company Limited *(Note 2)*	Person having a security interest in Shares	3,025,052,960	52.06

Notes:

1. *Whole Good is wholly and beneficially owned by Mr Shi Kancheng, its sole director. Mr Shi is the chairman and an executive director of the Company. Mr Shi is deemed or taken to be interested in the Shares held by Whole Good by virtue of Part XV of the SFO.*

2. *The Shares held by Haitong International Credit Company Limited ("HTICC") were pledged by Whole Good. HTICC is wholly held or controlled by Haitong International Finance Company Limited ("HTIFC"), which is wholly held or controlled by Haitong International (BVI) Limited ("HTIBVI") and, in turn, wholly held or controlled by Haitong International Securities Group Limited ("HTISG"). HTISG is 61.74% owned or controlled by Haitong International Holdings Limited ("HTIH") which, in turn, is wholly owned or controlled by Haitong Securities Co., Ltd. ("HTSC"). HTIFC, HTIBVI, HTISG, HTIH and HTSC are deemed or taken to be interested in the security interest in the Shares held by HTICC by virtue of Part XV of the SFO.*

3. *The percentage of shareholding is calculated on the basis of 5,810,390,800 Shares in issue as at the Latest Practicable Date.*

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

6. DIRECTORS' INTEREST IN ASSETS

None of the Directors has since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up, any direct or indirect interest in any assets which have 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.

7. DIRECTORS' INTEREST IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group as a whole.

8. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors had any business or interest which competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

9. PROFESSIONAL QUALIFICATIONS

The company secretary of the Company is Ms Wong Sau Ping. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms Wong is currently a senior manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider).

10. MATERIAL CONTRACTS

Saved as disclosed below, no other contract (not being contracts in the ordinary course of business) had been entered into by any member of the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are or may be material:

(a) the placing agreement dated 3 June 2017 entered into between (i) the Company (as issuer) and (ii) Haitong International Securities Company Limited and Eternal Pearl Securities Limited (as placing agents) in respect of the placing, on a best effort basis, of up to 469,716,000 new Shares to not less than six independent placees at the placing price of HK$0.556 per Share;

(b) the placing and subscription agreement dated 3 July 2017 entered into between (i) Whole Good Management Limited (the controlling shareholder of the Company), (ii) the Company (as issuer) and (iii) Haitong International Securities Company Limited and Eternal Pearl Securities Limited (as placing agents) in respect of the placing (on a best effort basis) of a total of up to 100,000,000 existing Shares to not less than six independent placees and top-up subscription of such number of new Shares representing the number of Shares actually placed under the placing by Whole Good Management Limited at the subscription/placing price of HK$1.50 per Share;

(c) the placing agreement dated 5 July 2017 (as supplemented by a supplemental placing agreement dated 7 July 2017) entered into between (i) CNC (a listed subsidiary of the Company) (as issuer) and (ii) Haitong International Securities Company Limited and Eternal Pearl Securities Limited (as placing agents) in respect of the placing, on a best effort basis, of up to 260,000,000 new CNC Shares to not less than six independent placees at the placing price of HK$1.82 per CNC Share (which constituted a deemed disposal by the Company of its interest in CNC);

(d) the equity transfer agreement dated 21 August 2017 entered into between Hangzhou Oriental (as vendor) and Zhong An Shenglong (a subsidiary of the Company and CNC) (as purchaser) regarding the acquisition of 19.85% of the entire equity interest in Zhejiang Xinnongdou at the consideration of RMB327 million (that is, the 2017 Equity Transfer Agreement referred to in this circular);

(e) the JV 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 CNC which, in turn, 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 regulating the formation of Maggie & Rose (Greater China) Group Limited (the "**JV Company**")(pursuant to which Complete Victory agreed to contribute a total amount of RMB150,000,000 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 CNC which, in turn, is a subsidiary of the Company;

(f) 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;

(g) 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;

(h) the cooperation agreement dated 14 December 2017 entered into between (i) Ms Li Qiu Lian, Ms Li Qiu Jian and 肇慶市威信實業有限公司 (Zhaoqing Shi Weixin Shiye Co., Ltd.*) ("**Weixin Shiye**") (as vendors), (ii) Feng Hua (HK) Limited (鋒華(香港)有限公司) ("**Feng Hua HK**") and (iii) 眾安健康產業發展有限公司 (Zhongan Jiankang Chanye Development Co., Ltd.*) ("**Zhongan Jiankang**") (a subsidiary of CNC which, in turn, a subsidiary of the Company) (as purchaser) in relation to, among others, (i) the acquisition of the entire equity interest in 懷集岳山溫泉旅遊度假區有限公司 (Huaiji Yueshan Hot Springs Resort District Co., Ltd.*) ("**Huaiji Yueshan**") at the consideration of RMB50,000,000 (which were agreed to be settled as to RMB10,000,000 in cash and as to RMB40,000,000 by the allotment and issue of 26,890,773 new CNC Shares at the issue price of HK$1.75 each), (ii) the establishment of a company to be established in the PRC ("**PRC Company B**") with Weixin Shiye with a total registered capital of RMB1,000,000 (agreed to be contributed by Zhongan Jiankang (95%) and Weixin Shiye (5%) in proportion to their respective equity interests in PRC Company B; and (iii), following the establishment of PRC Company B, the acquisition by Zhongan Jiankang of 5% of the entire equity interest in PRC Company B from Weixin Shiye at the consideration of RMB50,000 (which was agreed to be settled in cash);

(i) the novation agreement dated 29 December 2017 entered into between 杭州琳翔貿易有限公司 (Hang Zhou Lin Xiang Trading Co., Ltd.*) ("**Hang Zhou Lin Xiang**") (as transferor) and 眾安集團有限公司 (Zhong An Group Co., Ltd.*) (a subsidiary of the Company) (as transferee) pursuant to which the transferor has agreed to novate and transfer to the transferee all rights, benefits and obligations to which the transferor is entitled in and under the original acquisition agreement dated 19 June 2017 entered into between 羅立國 (Luo Liguo*) (for himself and on behalf of the other shareholders of 杭州千島湖比華利度假村開發有限公司 (Hangzhou Qiandao Lake Beverly Resort Development Co., Ltd.*) ("**Beverly Resort Co**") and 杭州欣新房地產開發有限公司 (Hangzhou Yanxin Real Estate Development Co., Ltd.*) ("**Yanxin Co**")) and Hang Zhou Lin Xiang regarding the acquisition by Hang Zhou Lin Xiang of the entire equity interests in Beverly Resort Co and Yanxin Co at a total consideration of approximately RMB850 million;

(j) the equity transfer agreement dated 29 December 2017 entered into between (i) 王寶珍 (Wang Baozhen*), 周研 (Zhou Yan*) and 杭州青溪書屋有限公司 (Hangzhou QingXi Bookstore Co., Ltd.*) (as vendors), (ii) 眾安集團有限公司 (Zhong An Group Co., Ltd.*) (a subsidiary of the Company) (as purchaser), (iii) Beverly Resort Co and (iv) 羅立國 (Luo Liguo*) and 寧波合盛集團有限公司 (Ningbo Hesheng Group Co., Ltd.*) (as guarantors) regarding the acquisition of the entire equity interest in Beverly Resort Co at a total consideration of RMB160,000,000 (of which RMB29,281,348.83 was for payment of the price for the transfer of the entire equity interest in Beverly Resort Co and RMB130,718,651.17 was for settlement of any outstanding shareholders' loans and other liabilities, if any);

(k) the equity transfer agreement dated 29 December 2017 entered into between (i) 羅立國 (Luo Liguo*) and 寧波合盛集團有限公司 (Ningbo Hesheng Group Co., Ltd.*) (as vendors), (ii) 眾安集團有限公司 (Zhong An Group Co., Ltd.*) (a subsidiary of the Company) (as purchaser) and (iii) Yanxin Co regarding the acquisition of the entire equity interest in Yanxin Co at a total consideration of RMB524,939,391.50 (of which RMB412,595,802.70 was for payment of the price for the transfer of the entire equity interest in Yanxin Co and RMB112,343,588.80 was for settlement of any outstanding shareholders' loans and other liabilities, if any);

(l) the equity transfer agreement dated 29 December 2017 for the transfer of the land use right of state-owned land dated 29 October 2009 and entered into between 眾安集團有限公司 (Zhong An Group Co., Ltd.*) (a subsidiary of the Company) and 中華人民共和國浙江省余姚市國土資源局(Yuyao Land and Resources Bureau*), Zhejiang Province, the PRC, pursuant to which the Group acquired a piece of land situated at the northern part of Yuyao, close to Beihuan West Road, to Xinjian North Road and other main roads, Zhejiang Province, the PRC at a consideration of RMB2,075,290,000;

(m) the equity transfer agreement dated 18 March 2018 entered into between 杭州彭博大向實業有限公司(Hangzhou Pengbo Daxiang Enterprise Co., Ltd.*) (as vendor) and 杭州眾嘉投資管理有限公司(Hangzhou Zhongjia Investment Management Co., Ltd.*) (as purchaser) (a subsidiary of the Company) regarding the acquisition of the entire equity interest in 浙江尚拓投資有限公司(Zhejiang Shangtuo Investment Co., Ltd.*) at a consideration of RMB360 million;.

(n) the equity transfer agreement dated 16 May 2018 (as supplemented by a supplemental equity transfer agreement dated 16 May 2018) entered into between (i) 萬象(福建)置業發展有限公司 (Wanxiang (Fujian) Zhiye Development Co., Ltd.*) (as vendor) and (ii) 浙江眾安盛隆商業有限公司 (Zhejiang Zhongan Shenglong Commercial Co., Ltd.*) (a non-wholly owned subsidiary of CNC which, in turn, is a subsidiary of the Company) and 中國聯盟(北京)商業投資有限公司 (China Business Alliance (Beijing) Commercial Investment Co., Ltd.*) (as purchasers) regarding the acquisition of 51% of the entire equity interest in 徐州市萬象置業發展有限公司 (Xuzhou City Wanxiang Zhiye Development Co., Ltd.*) at a total consideration of RMB204 million (including a refundable performance security deposit of RMB60 million); and

(o) the Equity Transfer Agreement.

11. EXPERTS AND CONSENTS

(a) The following are the qualifications of the experts who have given opinions or advice in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Ravia Global Appraisal Advisory Limited	Professional surveyors and property valuers

(b) Each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion, letter, report and/or valuation (as the case may be) and references to its name in the form and context in which they are included.

(c) As at the Latest Practicable Date, each of the experts did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

(d) As at the Latest Practicable Date, each of the experts did not have any interest, direct or indirect, in any assets which since 31 December 2017, the date to which the latest published audited financial statements of the Group were made up, have 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.

12. MISCELLANEOUS

(a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at Room 4006, 40/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(c) The Hong Kong share registrar and transfer office of the Company is Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) As at the Latest Practicable Date, the authorised share capital of the Company was HK$1,000,000,000 divided into 10,000,000,000 Shares of a par value of HK$0.10 each, of which 5,810,390,800 Shares were in issue.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

13. 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. (except Saturdays and public holidays) at the head office and principal place of business of the Company in Hong Kong at Room 4006, 40/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong for a period of 14 days from the date of this circular:

(a) the amended and restated memorandum of association and the amended and restated articles of association of the Company;

(b) the annual reports of the Company for the two financial years ended 31 December 2017;

(c) the interim report of the Company for the six months ended 30 June 2018;

(d) the report prepared by Ernst & Young on the financial information of Zhejiang Xinnongdou;

(e) the report prepared by Ernst & Young on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the letter, summary of values and valuation certificates relating to the property interests held by the Zhejiang Xinnongdou Group prepared by Ravia Global Appraisal Advisory Limited, the text of which is set out in Appendix IV to this circular;

(g) the letter of consent, each from Ernst & Young and Ravia Global Appraisal Advisory Limited referred to in the paragraph headed "Experts and Consents" in this appendix;

(h) a copy of each of the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

(i) this circular.

* *For identification purposes only*