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## **Renhe Commercial Holdings Company Limited**

**人和商業控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1387)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

The board of directors (the “Board”) of Renhe Commercial Holdings Company Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2017 with comparative figures for the previous financial year as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 December 2017*

	<i>Note</i>	<b>2017</b> <b>RMB'000</b>	2016 RMB'000
<b>Continuing operation</b>			
Revenue	2	<u>988,112</u>	<u>1,001,765</u>
<b>Gross profit</b>		<b>988,112</b>	1,001,765
Other income	3	<b>93,495</b>	127,409
Administrative expenses		<b>(536,524)</b>	(490,488)
Other operating expenses		<u><b>(604,265)</b></u>	<u>(591,135)</u>
<b>Operating (loss)/profit from continuing operation</b>		<u><b>(59,182)</b></u>	<u>47,551</u>
Finance income		<b>28,490</b>	7,124
Finance expenses		<u><b>(2,394)</b></u>	<u>(26,126)</u>
Net finance income/(expenses)	5	<u><b>26,096</b></u>	<u>(19,002)</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)***For the year ended 31 December 2017*

	<i>Note</i>	<b>2017</b> <b>RMB'000</b>	2016 <b>RMB'000</b>
<b>(Loss)/profit from continuing operation before taxation</b>	4	<b>(33,086)</b>	28,549
Income tax	6	<u><b>(93,964)</b></u>	<u>(116,827)</u>
<b>Loss from continuing operation</b>		<b>(127,050)</b>	(88,278)
<b>Discontinued operation</b>			
Loss from discontinued operation, net of tax	7	<u>—</u>	<u>(14,513,350)</u>
<b>Loss for the year</b>		<u><b>(127,050)</b></u>	<u>(14,601,628)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(127,050)</b>	(14,583,909)
Non-controlling interests		<u>—</u>	<u>(17,719)</u>
<b>Loss for the year</b>		<u><b>(127,050)</b></u>	<u>(14,601,628)</u>
<b>Loss attributable to:</b>			
Equity shareholders of the Company			
— Continuing operation		<b>(127,050)</b>	(88,278)
— Discontinued operation	7	<u>—</u>	<u>(14,495,631)</u>
		<b>(127,050)</b>	(14,583,909)
Non-controlling interests			
— Discontinued operation	7	<u>—</u>	<u>(17,719)</u>
<b>Loss for the year</b>		<u><b>(127,050)</b></u>	<u>(14,601,628)</u>
<b>Basic and diluted loss per share (RMB cents)</b>	9	<b>(0.29)</b>	(33.17)
From continuing operation		<b>(0.29)</b>	(0.20)
From discontinued operation		—	(32.97)

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

*For the year ended 31 December 2017*

	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Loss for the year</b>	<b>(127,050)</b>	(14,601,628)
<b>Other comprehensive income for the year (after tax and reclassification adjustments):</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	<u>98,742</u>	<u>(46,327)</u>
<b>Total comprehensive income for the year</b>	<b><u>(28,308)</u></b>	<b><u>(14,647,955)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(28,308)</b>	(14,630,236)
Non-controlling interests	<u>–</u>	<u>(17,719)</u>
<b>Total comprehensive income for the year</b>	<b><u>(28,308)</u></b>	<b><u>(14,647,955)</u></b>
<b>Total comprehensive income for the year arises from</b>		
Continuing operation	<b>(28,308)</b>	61,098
Discontinued operation	<u>–</u>	<u>(14,709,053)</u>
<b>Total comprehensive income for the year</b>	<b><u>(28,308)</u></b>	<b><u>(14,647,955)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Note</i>	<b>31 December 2017 RMB'000</b>	31 December 2016 RMB'000
<b>Non-current assets</b>			
Property and equipment		681,420	683,893
Intangible assets	10	5,709,390	6,034,550
Goodwill	11	386,380	386,380
Other assets		–	21,682
<b>Total non-current assets</b>		<b>6,777,190</b>	7,126,505
<b>Current assets</b>			
Inventories		44,432	46,538
Trade and other receivables	12	764,656	1,852,670
Cash at bank and on hand		1,222,118	1,464,956
<b>Total current assets</b>		<b>2,031,206</b>	3,364,164
<b>Current liabilities</b>			
Trade and other payables	13	401,502	1,969,737
Taxation		41,585	50,262
<b>Total current liabilities</b>		<b>443,087</b>	2,019,999
<b>Net current assets</b>		<b>1,588,119</b>	1,344,165
<b>Total assets less current liabilities</b>		<b>8,365,309</b>	8,470,670
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,424,400	1,505,484
Receipt-in-advance		4,031	–
<b>Total non-current liabilities</b>		<b>1,428,431</b>	1,505,484
<b>Net assets</b>		<b>6,936,878</b>	6,965,186
<b>Capital and reserves</b>			
Share capital	14	366,604	366,604
Reserves		6,570,274	6,598,582
<b>Total equity attributable to equity shareholders of the Company</b>		<b>6,936,878</b>	6,965,186
<b>Non-controlling interests</b>		–	–
<b>Total equity</b>		<b>6,936,878</b>	6,965,186

## NOTES:

### 1. STATEMENT OF COMPLIANCE

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

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

#### Changes in Accounting Policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the group. None of these impact on the accounting policies of the group. However, additional disclosure has been included in note cash at bank and on hand to satisfy the new disclosure requirements introduced by the amendments to IAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

### 2. REVENUE AND SEGMENT REPORTING

#### (a) Revenue from continuing operation

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Operating lease	249,171	243,473
Commission income	738,941	758,292
	<u>988,112</u>	<u>1,001,765</u>

The Group’s customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group’s revenue during the year (2016: Nil).

#### (b) Segment reporting

Prior to the disposal of the shopping mall segment in July 2016 (see Note 7), the Group manages its businesses based on its business line, which are divided into development, lease and management of shopping mall and operation of agriculture wholesale markets. After the disposal, the profit or loss, assets and liabilities of continuing operation represent the single segment of operation of agriculture wholesale markets segment.

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

### 3. OTHER INCOME FROM CONTINUING OPERATION

	<i>Note</i>	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
Market service fee income		<b>117,701</b>	126,606
(Loss)/gain on disposal of property and equipment		<b>(3,501)</b>	148
Government grants		<b>893</b>	466
Loss on disposal of subsidiaries	<i>(i)</i>	<b>(21,629)</b>	–
Others		<b>31</b>	189
		<b>93,495</b>	<b>127,409</b>

- (i) During the year ended 31 December 2017, the Group liquidated 160 oversea subsidiaries, which were mainly setup for the development of underground shopping mall projects in various PRC cities but remained inactive for years. The relevant exchange reserve of these subsidiaries amounting to RMB9,847,000 was reclassified to profit or loss upon liquidation.

In December 2017, the Group disposed of its 100% equity interest in a subsidiary to a third party with a consideration of HKD3,000,000. A loss of RMB11,782,000 was recognised, amounting the difference between the consideration and the amount of the subsidiary's net assets as at the disposal date.

### 4. (LOSS)/PROFIT FROM CONTINUING OPERATION BEFORE TAXATION

	<i>Note</i>	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
Depreciation		<b>46,752</b>	45,174
Amortisation	<i>10</i>	<b>324,333</b>	324,333
Advertisement expenses		<b>20,611</b>	2,364
Repairs and maintenance		<b>18,520</b>	20,693
Utility charges		<b>36,453</b>	39,676
Operating lease charges		<b>132,256</b>	136,769
Auditors' remuneration		<b>7,039</b>	5,859

## 5. NET FINANCE INCOME/(EXPENSES)

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Finance income		
— Interest income on bank deposits	4,178	7,124
— Interest income on loans to third parties	24,312	—
	<u>28,490</u>	<u>7,124</u>
Finance expenses		
— Interest on interest-bearing borrowings	—	(19,068)
— Net foreign exchange loss	(1,838)	(5,979)
— Bank charges and others	(556)	(1,079)
	<u>(2,394)</u>	<u>(26,126)</u>
	<u>26,096</u>	<u>(19,002)</u>

## 6. INCOME TAX FROM CONTINUING OPERATION

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
<b>Current tax</b>		
PRC Enterprise Income Tax		
Provision for the year	174,555	197,659
Under-provision in respect of prior years	493	252
	<u>175,048</u>	<u>197,911</u>
<b>Deferred tax</b>		
Reversal and origination of temporary difference	<u>(81,084)</u>	<u>(81,084)</u>
	<u>93,964</u>	<u>116,827</u>

- (i) According to the Corporate Income Tax Law of the PRC, from 1 January 2008, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25% (2016: 25%).
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year.

## 7. DISCONTINUED OPERATION

During the year of 2016, the Company entered into a sale agreement to dispose of its shopping mall segment (the “Disposal”), which comprises 23 completed shopping malls, 11 shopping malls under construction and 10 shopping malls at the planning stage with relevant construction approvals obtained (collectively the “Disposal Group”). The Disposal contemplated under the sale agreement had been approved by the independent shareholders of the Company at the Extraordinary General Meeting held on 18 May 2016. As a result, all the legal obstacles for the completion of the Disposal had been cleared and majority of the condition precedents to the sale agreement had been fulfilled by both parties as at 30 June 2016. Consequently, a provision amounted to RMB13,726,610,000 in respect of the disposal loss has been recognised as at 30 June 2016. The Disposal was completed on 8 July 2016, the controlling shareholder of the Company acquired the Disposal Group at a consideration of RMB6.5 billion.

### (a) Results of discontinued operation

	2016 RMB'000
Revenue	239,313
Cost of sales	—
	<hr/>
<b>Gross profit</b>	239,313
Other income	64,042
Administrative expenses	(84,601)
Other operating expenses	(103,490)
Net valuation loss on investment properties	(763,085)
	<hr/>
<b>Operating loss</b>	(647,821)
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Finance income	5,632
Finance expenses	(284,746)
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<b>Net finance expenses</b>	(279,114)
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<b>Loss before taxation</b>	(926,935)
Income tax	140,195
	<hr/>
<b>Net operating loss for the year from discontinued operation, net of tax</b>	(786,740)
Loss on disposal of discontinued operation	(13,726,610)
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<b>Loss from discontinued operation, net of tax</b>	(14,513,350)
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<b>Loss for the year from discontinued operation attributable to:</b>	
Equity shareholders of the Company	(14,495,631)
Non-controlling interests	(17,719)
	<hr/>
<b>Loss for the year from discontinued operation</b>	(14,513,350)
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(b) Other items

	2016 <i>RMB'000</i>
Depreciation	2,800
Advertisement expenses	6,992
Repairs and maintenance	32,869
Utility charges	21,219
Operating lease charges	4,966
Auditors' remuneration	
— audit services	3,741
— tax services	78

**8. DIVIDENDS**

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

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

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

The directors of the Company did not approve or pay any dividend in respect of the previous financial year during the year (2016: Nil).

**9. BASIC AND DILUTED LOSS PER SHARE**

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB127,050,000 (2016: loss of RMB14,583,909,000) and the weighted average of 43,966,100,000 ordinary shares (2016: 43,966,100,000 ordinary shares) in issue during the reporting period.

During the years ended 31 December 2017 and 2016, diluted loss per share is calculated on the same basis as basic loss per share.

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

	<b>2017</b> <b><i>RMB'000</i></b>	2016 <i>RMB'000</i>
From continuing operation	<b>(127,050)</b>	(88,278)
From discontinued operation	—	(14,495,631)
<b>Loss attributable to ordinary equity shareholders</b>	<b><u>(127,050)</u></b>	<b><u>(14,583,909)</u></b>

## 10. INTANGIBLE ASSETS

	<b>Favourable term lease contract <i>Note (i)</i> RMB'000</b>	<b>Others  RMB'000</b>	<b>Total  RMB'000</b>
<b>Cost:</b>			
At 1 January 2016	6,486,667	11,813	6,498,480
Exchange reserve	—	800	800
<b>At 31 December 2016</b>	<u>6,486,667</u>	<u>12,613</u>	<u>6,499,280</u>
At 1 January 2017	6,486,667	12,613	6,499,280
Exchange reserve	—	(827)	(827)
<b>At 31 December 2017</b>	<u>6,486,667</u>	<u>11,786</u>	<u>6,498,453</u>
<b>Accumulated amortisation:</b>			
At 1 January 2016	(140,397)	—	(140,397)
Charge for the year	(324,333)	—	(324,333)
<b>At 31 December 2016</b>	<u>(464,730)</u>	<u>—</u>	<u>(464,730)</u>
At 1 January 2017	(464,730)	—	(464,730)
Charge for the year	(324,333)	—	(324,333)
<b>At 31 December 2017</b>	<u>(789,063)</u>	<u>—</u>	<u>(789,063)</u>
<b>Net book value:</b>			
<b>At 31 December 2016</b>	<u>6,021,937</u>	<u>12,613</u>	<u>6,034,550</u>
<b>At 31 December 2017</b>	<u>5,697,604</u>	<u>11,786</u>	<u>5,709,390</u>

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

- (i) In connection with the acquisition occurred in July 2015, the Group (as lessee) entered into 20 years lease agreements with market owners of the agriculture wholesale markets (as lessor), according to which the rent to be paid is favourable as compare with the fair value of market rent. As at the acquisition date on 27 July 2015, the Group recognised these favourable term lease agreements as an intangible asset at its fair value amounting to RMB6,486,667,000 which is amortised on a straight-line basis over the contractual life of the lease agreements. The amortisation charge for the year of RMB324,333,000 (2016: RMB324,333,000) is included in other operating expenses in the consolidated statement of profit or loss.

## 11. GOODWILL

	<i>RMB'000</i>
<b>Cost:</b>	
At 1 January 2016	1,883,122
Disposal of discontinued operation	<u>(363,792)</u>
<b>At 31 December 2016 and 31 December 2017</b>	<b><u>1,519,330</u></b>
<b>Accumulated impairment losses:</b>	
<b>At 1 January 2016, 31 December 2016 and 31 December 2017</b>	<b><u>(1,132,950)</u></b>
<b>Carrying amount:</b>	
<b>At 31 December 2016</b>	<b><u>386,380</u></b>
<b>At 31 December 2017</b>	<b><u>386,380</u></b>

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

## 12. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	<b>2017</b> <i>RMB'000</i>	2016 <i>RMB'000</i>
Deposits for acquisition	<i>(ii)</i>	–	400,000
Amounts due from related parties		<b>9,190</b>	1,400,060
Loans to third parties	<i>(iii)</i>	<b>687,920</b>	–
Others		<b>67,546</b>	52,610
		<b><u>764,656</u></b>	<u>1,852,670</u>
Less: allowance for doubtful debts	<i>(i)</i>	<u>–</u>	<u>–</u>
		<b><u>764,656</u></b>	<b><u>1,852,670</u></b>

(i) Impairment of trade receivables

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

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

	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
At 1 January	–	157,537
Disposal of discontinued operation	–	(157,537)
Impairment losses recognised	–	–
	<hr/>	<hr/>
At 31 December	<u>–</u>	<u>–</u>

(ii) Deposits for acquisition

The balance as at 31 December 2016 represented deposit for acquisition of new projects in the PRC. The acquisitions were not materialized and the deposits were refunded during the year ended 31 December 2017.

(iii) Loans to third parties

Loans to third parties are unsecured with principal ranging from HK\$200 million to HK\$400 million each, which are subject to a fixed interest rate of 6% per annum. As at 31 December 2017, the outstanding balance was RMB688 million and has been fully received by the Group in mid-March 2018.

### 13. TRADE AND OTHER PAYABLES

	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
Receipts in advance	<b>162,786</b>	141,639
Construction payables	<b>74,483</b>	83,543
Other taxes payable	<b>6,456</b>	6,854
Deposits	<b>121,934</b>	133,253
Amounts due to related parties	<b>3,760</b>	1,560,243
Salary and welfare expenses payable	<b>23,947</b>	17,801
Professional service fee payables	<b>3,800</b>	12,061
Others	<b>4,336</b>	14,343
	<hr/>	<hr/>
	<u><b>401,502</b></u>	<u>1,969,737</u>

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

	<b>2017</b> <b>RMB'000</b>	2016 <i>RMB'000</i>
Due within one year or on demand	<u><b>74,483</b></u>	<u>83,543</u>

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

## 14. SHARE CAPITAL

	2017		2016	
	Number of shares '000	RMB'000	Number of shares '000	RMB'000
<b>Authorised:</b>				
Ordinary shares of HKD0.01 each	<u>80,000,000</u>		<u>80,000,000</u>	
<b>Issued and fully paid:</b>				
At 1 January/31 December	<u>43,966,100</u>	<u>366,604</u>	<u>43,966,100</u>	<u>366,604</u>

## 15. FOREIGN CURRENCY RISK TO THE FINANCIAL STATEMENTS

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("PBOC") or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies.

Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) or must be arranged through the PBOC with government approval.

All the Group's cash and bank balances in RMB were placed with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of the PRC subsidiaries (RMB) and the overseas group entities (HKD). Depreciation or appreciation of the RMB and HKD against foreign currencies can affect the Group's results. The Group did not hedge its foreign currency exposure.

The following table details the Group's recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Exposure foreign currencies (expressed in RMB)					
	2017			2016		
	USD RMB'000	HKD RMB'000	RMB RMB'000	USD RMB'000	HKD RMB'000	RMB RMB'000
Cash at bank and on hand	<u>32,084</u>	<u>167</u>	<u>547</u>	<u>38,822</u>	<u>206</u>	<u>943</u>
Net exposure arising from recognised assets and liabilities	<u>32,084</u>	<u>167</u>	<u>547</u>	<u>38,822</u>	<u>206</u>	<u>943</u>

The following table indicates the approximate change in the Group's profit after tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax (RMB'000)	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax (RMB'000)
HKD — USD	0.4% (0.4%)	(17) 17	0.4% (0.4%)	(19) 19
HKD — RMB	5% (5%)	(27) 27	5% (5%)	(47) 47
RMB — HKD/USD	5% (5%)	(1,051) 1,051	5% (5%)	(1,265) 1,265

Given the current turbulent market, the reasonably possible changes estimated by the Group are based on the Group's best estimate considering the historical information and the forecast of the future economic situation. Actual changes in foreign exchange rates may be different from the Group's estimate.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the full year of 2017, the Group's principal business remains the same as last year, i.e. the operation of 7 agriculture wholesale markets in 6 cities in China.

Below is the summary of our 7 agriculture wholesale markets:

<b>Agriculture wholesale market</b>	<b>Location</b>	<b>GFA (sq.m.)</b>	<b>2017 Revenue RMB'million</b>
China Shouguang Agricultural Produce Logistics Park	Shouguang City, Shandong province	537,003	<b>137.9</b>
Harbin Hada Agricultural Produce Market	Harbin City, Heilongjiang province	185,035	<b>304.5</b>
Shenyang Shouguang Dili Agricultural By-Products Markets	Shenyang City, Liaoning province	235,123 (note 2)	<b>253.4</b>
Qiqihar Hada Agricultural Produce Market	Qiqihar City, Heilongjiang province	49,106 (note 3)	<b>77.0</b>
Harbin Youyi Agricultural Produce Market	Harbin City, Heilongjiang province	17,952 (note 4)	<b>21.9</b>
Muda International Agricultural Produce Logistics Park	Mudanjiang City, Heilongjiang province	116,758	<b>44.0</b>
Guiyang Agricultural Produce Logistics Park	Guiyang City, Guizhou province	173,620	<b>149.4</b>
<b>Total</b>		<b>1,314,597</b>	<b>988.1</b>

#### Notes:

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

## FINANCIAL REVIEW

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

### Revenue

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

For the year ended December 2017, the Group recorded a consolidated revenue of approximately RMB988.1 million (2016: RMB1,001.8 million), representing a decrease of about 1.4% when compared with that of last year. The lease income slightly increased by 2.3% to RMB249.2 million in this year as compared to RMB243.5 million in last year. However, the commission income decreased by 2.6% to RMB738.9 million in this year as compared to RMB758.3 million in last year.

The drop of commission income arose from the fluctuation of vegetable prices and the increase in market competition. The lease income is relatively stable.

	<b>2017</b>	<b>2016</b>	<b>Change</b>	<b>Change</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>%</i>
Commission income	<b>738.9</b>	758.3	(19.4)	(2.6)
Lease income	<b>249.2</b>	243.5	5.7	2.3
Total	<b>988.1</b>	1,001.8	(13.7)	(1.4)

The analysis by agriculture wholesales market:

		2017	2016	Change	Change
	Note	RMB' million	RMB' million	RMB' million	%
China Shouguang Agricultural Produce Logistic Park	<i>i</i>	<b>137.9</b>	161.8	(23.9)	(14.8)
Harbin Hada Agricultural Produce Market		<b>304.5</b>	318.0	(13.5)	(4.2)
Shenyang Shouguang Dili Agricultural By-Products Market	<i>ii</i>	<b>253.4</b>	230.7	22.7	9.8
Qiqihar Hada Agricultural Produce Market		<b>77.0</b>	75.2	1.8	2.4
Harbin Youyi Agricultural Produce Market		<b>21.9</b>	22.0	(0.1)	(0.5)
Muda International Agricultural Produce Logistics Park		<b>44.0</b>	43.6	0.4	0.9
Guiyang Agricultural Produce Logistic Park		<b>149.4</b>	150.5	(1.1)	(0.7)
Total		<b>988.1</b>	1,001.8	(13.7)	(1.4)

Notes:

- i. With the relative high price of vegetables in early 2016, farmers shifted more resources in planting vegetables. The over-supply of vegetables in the first half of 2017 resulted in the decrease in vegetable prices and our corresponding commission income.
- ii. The increase of revenue was due to the improvement of sales mix which arose from the sales of more high end products.

## Gross Profit

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

## Other Income

Other income mainly comprised market service fee income of RMB117.7 million (2016: RMB126.6 million).

## Administration expenses

Administration expenses mainly comprised staff cost, depreciation and trip expenses. The increase was mainly due to the increase in trip expenses taken by management to explore new business opportunities.

## **Other operating expenses**

Other operating expenses mainly consisted of amortization of intangible assets of RMB324.3 million (2016: RMB324.3 million) arose from the acquisition of the agriculture business and the operating lease expenses of RMB118.2 million (2016: RMB116.9 million) for leasing the properties (including land and buildings) to facilitate the on-going operations of the agriculture business in accordance with the Framework Lease Agreement entered during the acquisition of the agriculture business.

## **Finance income**

Finance income mainly represented the interest income earned from agriculture business operation. The increase was mainly due to improvement of cash flow and increase in bank balance during the year.

## **Finance expenses**

Finance expenses mainly represented bank interest and charges. The drop was mainly because the loans were fully repaid in 2016.

## **Liquidity and Financial Resources**

The Group has net cash position and has strong financial resources to support its working capital and future expansion.

## **Capital Structure and Treasury Policy**

The Group adopts a conservative policy in capital structure management. The Group closely monitors its cash flow position to ensure the Group has sufficient working capital available to meet the operational needs. It also takes into account the trade receivables, trade payables, bank balances and cash, administrative and capital expenditures to prepare the cash flow forecast to forecast the its future financial liquidity.

Details of the Group's exposure to fluctuations in exchange rates and related hedges are included in note 15 — Foreign currency risk to the Financial Statements of this Announcement.

## **Charges on Assets**

As at 31 December 2017, the Group had no charges on Group's assets.

## **Capital Commitment**

As at 31 December 2017, the future capital expenditure for which the Group had contracted but not provided for in respect of continuing operation amounted to approximately RMB16.6 million (as at 31 December 2016: amounted to RMB11.7 million) while the future capital expenditure for which the Group had authorized but not contracted for in respect of continuing operation was nil (as at 31 December 2016: amounted to RMB8.0 million).

## **Gearing Ratio**

The gearing ratio as at 31 December 2017, which is calculated by dividing the total interest-bearing borrowings by total assets was nil (as at 31 December 2016: Nil).

## **Human Resources**

As at 31 December 2017, the Group employed 2,009 staff (as at 31 December 2016: 2,109 staff). The Group's employees are remunerated according to the job nature, individual performance and market trends with built-in merit components. Total remuneration for the year ended 31 December 2017 was approximately RMB249.7 million as compared with RMB305.8 million for the year ended 31 December 2016. We have established a training program that aims to support and encourage members of our management team to continue improving their management skills and develop their careers, including arranging for seminars. We provide orientation training as well as on-the-job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development. Employees in Hong Kong participate in Mandatory Provident Fund Scheme while employees in the PRC also participate in similar scheme.

## **Dividend**

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2017 (2016: Nil).

## **PROSPECTS AND OUTLOOK**

### **Agriculture business**

The existing 7 agriculture wholesale markets provide the Group with stable and steady business and cashflow. For the short-term development, we will focus on enhancing the efficiency of the existing markets. We will upgrade the settlement system with modern technology at the markets, install information system to collect and utilize useful data generated from the activities in our market and to diversify the product range traded at our markets, so to better serve the market users.

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

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

## **AUDIT COMMITTEE**

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the “Code”). The primary duty of the audit committee is to review and supervise the financial reporting process, risk management and internal control systems of the Group. The audit committee is comprised of three independent non-executive directors. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2017.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions in the Code throughout the year ended 31 December 2017, save and except for the following:

### *Code Provision A.2.7*

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

### *Code Provision A.5.2*

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

### *Code Provision E.1.2*

Under this code provision, the chairman of the board should attend the annual general meeting (“AGM”). The Chairman of the Board was unable to attend the AGM of the Company held on 22 June 2017 due to other business commitments. In absence of the Chairman, Mr. Wang Hongfang, an executive director of the Company, acted as the Chairman of the AGM. The Board will finalise and inform the date of the AGM as earliest as possible to make sure that the directors would attend the AGM of the Company in the future.

Save as disclosed above, there has been no deviation from the code provisions of the Code by the Company for the year ended 31 December 2017.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as the guidelines for the directors’ dealings in the securities of the Company. Upon specific enquiries of all the directors, each of them confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2017 in relation to their securities dealings, if any.

## **ANNUAL GENERAL MEETING**

The AGM of the Company is proposed to hold on 27 June 2018. Notice of the AGM will be published and despatched to the shareholders in due course.

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

Hong Kong, 28 March 2018

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

\* *For identification purpose only*