RENHE

Renhe Commercial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1387

2018 INTERIM REPORT

Table of Contents

Corporate Information

DIRECTORS

Executive Directors

Wang Yan (Chairman) *(appointed on 4 September 2018)*
Dai Bin (Chief Executive Officer)
Dai Yongge
Wang Hongfang *(resigned on 4 September 2018)*

Non-Executive Directors

Hawken Xiu Li
Jiang Mei
Zhang Xingmei
Zhang Dabin
Wang Chunrong

Independent Non-Executive Directors

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

AUDIT COMMITTEE

Fan Ren-Da, Anthony (Chairman)
Wang Shengli
Wang Yifu

REMUNERATION COMMITTEE

Wang Shengli (Chairman)
Wang Yan *(appointed on 4 September 2018)*
Wang Yifu
Dai Yongge *(resigned on 4 September 2018)*

NOMINATION COMMITTEE

Wang Shengli (Chairman)
Wang Yan *(appointed on 4 September 2018)*
Wang Yifu
Dai Yongge *(resigned on 4 September 2018)*

AUTHORISED REPRESENTATIVES

Hung Fan Kwan FCPA, FCCA
Wang Yan *(appointed on 4 September 2018)*
Wang Hongfang *(resigned on 4 September 2018)*

COMPANY SECRETARY

Hung Fan Kwan FCPA, FCCA

AUDITORS

KPMG
Certified Public Accountants

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1701–1703
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CHINA OFFICE

No. 279, Xuefu Road
Nangang District
Harbin, Heilongjiang
China

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1387

INVESTOR RELATIONS

Company Website: www.renhebusiness.com
Email: ir@renhe.com.hk

Chairman's Statement

On behalf of the board of directors (the "Board") of Renhe Commercial Holdings Company Limited (the "Company", together with its subsidiaries, collectively the "Group"), I report to all shareholders on the half-year results for the six months ended 30 June 2018.

As mentioned in our 2017 Annual Report, we continue to focus on our agriculture wholesale market business and will also look into acquisition opportunities within the agriculture.

During the first half of 2018, we announced (i) the acquisition of various companies which operates fruits, vegetable and seafood wholesale markets in Hangzhou, the PRC (the "Hangzhou Acquisition"); and (ii) the acquisition of the land and properties where our existing 7 wholesale markets operate. Details of these two acquisitions are set out in the shareholders' circular dated 29 June 2018.

We also announced a rights issue on 5 June 2018 to fund the Hangzhou Acquisition and for our future capital use. Details of which are set out in the prospectus dated 25 June 2018 in respect of the Rights Issue.

We will continue to explore acquisition opportunities to diversify and generate new sources of income.

On behalf of the Board, I would like to thank all members of the board for their positive inputs, and all members of our management team and employees for their team work and commitment.

Dai Yongge
Executive Director and Former Chairman

28 August 2018

Management Discussion and Analysis

OUR BUSINESS

The Group operates 7 agriculture wholesale markets in 6 cities in the PRC during the period under review.

BUSINESS REVIEW

Agriculture Wholesale Market	Location	GFA (sq.m.)	Revenue Six months ended 30 June 2018 (RMB'million)
China Shouguang Agricultural Produce Logistics Park	Shouguang city, Shandong province	537,003	**78.1**
Harbin Hada Agricultural Produce Market	Harbin city, Heilongjiang province	185,035	**152.3**
Shenyang Shouguang Dili Agricultural By-Products Markets	Shenyang city, Liaoning province	235,123 *(note 2)*	**137.7**
Qiqihar Hada Agricultural Produce Market	Qiqihar city, Heilongjiang province	49,106 *(note 3)*	**8.1**
Harbin Youyi Agricultural Produce Market	Harbin city, Heilongjiang province	17,952 *(note 4)*	**11.9**
Muda International Agricultural Produce Logistics Park	Mudanjiang city, Heilongjiang province	116,758	**22.7**
Guiyang Agricultural Produce Logistics Park	Guiyang city, Guizhou province	173,620	**72.9**
Total		1,314,597	**483.7**

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.

Hangzhou Acquisition, Hada Acquisition and the Rights Issue

Unless otherwise defined, terms used in the section headed "Management Discussion and Analysis" shall have the same meaning as defined in the announcement dated 5 June 2018 (the "Announcement"), prospectus in respect of the Rights Issue dated 25 June 2018 (the "Rights Issue Prospectus"); and the shareholders' circular in respect of the acquisitions dated 29 June 2018 (the "Circular").

On 5 June 2018, the Company announced the Hangzhou Acquisition, the Hada Acquisition, as well as the Rights Issue to fund the Hangzhou Acquisition and for future capital use.

Hangzhou Acquisition

Pursuant to the Hangzhou Acquisition, the Company acquired from the Hangzhou Vendor (an independent third party) various companies which control and operate fruits, vegetables and seafood markets in Hangzhou, the PRC. The consideration was RMB1.223 billion. Completion of the Hangzhou Acquisition had taken place on 24 July 2018 and the consideration was settled in cash with proceeds received from the Rights Issue.

The Hangzhou Acquisition was the Company's first acquisition of agriculture wholesale markets from a third party. The acquisition enables the Group to extend its geographical reach to Hangzhou where the Group had no presence before.

The Hangzhou Acquisition comprises three major wholesale markets, including one fruit wholesale market (杭州果品批發市場), one vegetable market (杭州蔬菜批發市場) and one seafood wholesale market (杭州水產市場). The three wholesale markets together form the largest agriculture wholesale market in the Hangzhou area in terms of both trading volume and turnover, and each of them is the largest wholesale market in its own product category, namely fruits, vegetables and seafood, respectively. As disclosed in the Circular, the combined revenue of the Hangzhou Target Group amounted to approximately RMB341.7 million for the year ended 31 December 2017 and the net profit after tax amounted to approximately RMB84.3 million during the same period.

Management Discussion and Analysis

Hada Acquisition

Since the acquisition of the business operation of the existing 7 markets in 2015, the Group has been operating the 7 markets as a tenant on the land and properties owned by the PRC Landlord Entities which are ultimately controlled by an associate of the Group's controlling shareholder. During the years, the Group encountered various limitations in respect of expansion of the markets and hence hindered the Group's growth potential. After careful consideration, the Group decided to acquire the PRC Landlord Entities from the associate of the controlling shareholder. By doing so, it enables the Group to consolidate the land and properties with the operations and assuming the "landlord" role so that the Group is able to make further investment into both hardware and software facilities of the markets without any restrictions and limitations.

The consideration for the Hada Acquisition is RMB5.4 billion and it will be settled through issue of interest-free convertible bonds to the Hada Vendor, namely New Amuse, an entity controlled by our non-executive Director, Ms. Zhang Xingmei.

As at the date of this report, completion of the Hada Acquisition has not yet taken place.

Rights Issue

The Company announced on 5 June 2018 the Rights Issue of a total of 13,189,830,130 rights shares at the price of HKD 0.163 per share on the basis of 3 rights shares for every 10 existing shares. The Rights Issue became unconditional on 11 July 2018, while the issuance of the rights shares was completed on 17 July 2018. Based on the acceptance results, the Rights Issue have received approximately 99.1% subscription rate. The net proceeds of the Rights Issue amounted to approximately HKD2.11 billion, part of it have been utilized as settlement for the Hangzhou Acquisition as at the date of this announcement.

FINANCIAL REVIEW

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 warehouse, 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 motel to traders.

For the six months ended 30 June 2018, the Group recorded a consolidated revenue of approximately RMB483.7 million (for the six months ended 30 June 2017: RMB504.8 million), representing a decrease of about 4.2% when compared with that of last corresponding period. The lease income increased by 10.0% to RMB130.6 million in this period as compared to RMB118.7 million in last corresponding period. However, the commission income decreased by 8.6% to RMB353.1 million in this period as compared to RMB386.1 million in last corresponding period.

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

	Six months ended 30 June			
	2018	2017	**Change**	**Change**
	RMB'million	*RMB'million*	*RMB'million*	*%*
Commission income	**353.1**	386.1	(33.0)	(8.6)
Lease income	**130.6**	118.7	11.9	10.0
Total	**483.7**	504.8	(21.1)	(4.2)

The analysis by each agriculture wholesales market:

		Six months ended 30 June			
		2018	2017	**Change**	**Change**
	Note	***RMB'million***	*RMB'million*	*RMB'million*	*%*
China Shouguang Agricultural Produce Logistic Park		**78.1**	79.1	(1.0)	(1.3)
Harbin Hada Agricultural Produce Market		**152.3**	161.0	(8.7)	(5.5)
Shenyang Shouguang Dili Agricultural By-Products Market		**137.7**	124.3	13.4	10.8
Qiqihar Hada Agricultural Produce Market	*i*	**8.1**	45.0	(36.9)	(82.1)
Harbin Youyi Agricultural Produce Market		**11.9**	10.9	1.0	9.9
Muda International Agricultural Produce Logistics Park		**22.7**	23.5	(0.8)	(3.1)
Guiyang Agricultural Produce Logistic Park	*ii*	**72.9**	61.0	11.9	19.6
Total		**483.7**	504.8	(21.1)	(4.2)

Notes:

i. The drop of revenue was due to keen market competition in Qiqihar city in this period.

ii. The rise in revenue was due to increase in leased areas and hence higher trading volume of fruits and various produce.

Management Discussion and Analysis

Other Income

Other income mainly comprised market service fee income of RMB53.2 million (for the six months ended 30 June 2017: RMB58.3 million). The drop of market service fee is consistent with the drop of the revenue.

Administration expenses

Administration expenses mainly comprised staff cost, depreciation and trip expenses. The slight decrease of administration expenses was because of the decrease in trip expenses.

Other operating expenses

Other operating expenses mainly consisted of amortization of intangible assets of RMB162.2 million (for the six months ended 30 June 2017: RMB162.2 million) arose from the acquisition of the agriculture business and the operating lease expenses of RMB49.6 million (for the six months ended 30 June 2017: RMB49.9 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 bank deposits and loans to third parties. The increase was mainly due to improvement of cash flow and there is excess funding for the Group.

Finance expenses

Finance expenses mainly represented bank charges.

Liquidity and Financial Resources

The Group has net cash position and has strong financial resources to support its working capital and future expansion. Subsequent to the six months ended 30 June 2018, the Company completed the Rights Issue of 13,189,830,130 new shares of the Company at the subscription price of HKD0.163 per share on 17 July 2018. The net proceeds, after deducting all estimated expenses, raised from the Rights Issue were approximately HKD2.11 billion, which all the net proceeds of the Rights Issue to finance the Hangzhou Acquisition and purposes as stated in the Rights Issue Prospectus.

Foreign Exchange Rate Risk

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

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

Capital Commitment

As at 30 June 2018, the future capital expenditure for which the Group had contracted but not provided amounted to approximately RMB5.1 million (as at 31 December 2017: amounted to RMB16.6 million).

Human Resources

As at 30 June 2018, the Group employed 2,074 staff (as at 30 June 2017: 2,153 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 six months ended 30 June 2018 was approximately RMB117.9 million as compared with RMB116.4 million for the six months ended 30 June 2017. 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.

Dividends

The Board has resolved that there was no interim dividend declared attributable to the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

Other Information

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

As at 30 June 2018, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company as required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long/short positions in shares/underlying shares of the Company:

Name of director	Capacity	Nature of interest (note 1)	Number of issued shares/ underlying shares	Approximate percentage of interest in the Company
Mr. Dai Yongge	Beneficial owner	L	200,070,000	0.46%
	Interest in controlled corporations	L (note 2)	27,417,389,531	62.36%
	Interest of spouse	L (note 3)	48,031,332,170	109.25%
	Interest in a controlled corporation	S	66,556,293	0.15%
Mr. Wang Hongfang	Beneficial owner	L	36,465,000	0.08%
	Interest in a controlled corporation	L (note 4)	9,847,500	0.02%
Ms. Zhang Xingmei	Interest in a controlled corporation	L (note 5)	48,031,332,170	109.25%
	Interest of spouse	L (note 6)	27,617,459,531	62.82%
	Interest of spouse	S	66,556,293	0.15%
Mr. Zhang Dabin	Beneficial owner	L	3,900,000	0.01%
	Interest in a controlled corporation	L (note 7)	17,030,000	0.04%
Ms. Wang Chunrong	Interest in a controlled corporation	L (note 8)	43,680,000	0.10%

Notes:

(1) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.

(2) Among 27,417,389,531 shares of the Company deemed to be interested by Mr. Dai Yongge, 159,120,000 shares are held by Gloss Season Limited, which is held as to 100% by Mr. Dai Yongge; 26,425,278,866 shares are held by Super Brilliant Investments Limited ("Super Brilliant"). As the entire issued share capital of Super Brilliant is held by Shining Hill Investments Limited ("Shining Hill"), which is held as to 100% by Mr. Dai Yongge, he is deemed to be interested in the Shares held by Super Brilliant; 832,990,665 shares are held by Wealthy Aim Holdings Limited ("Wealthy Aim"). As the entire issued share capital of Wealthy Aim is held by Broad Long Limited ("Broad Long"), which is held as to 100% by Mr. Dai Yongge, he is deemed to be interested in the Shares held by Wealthy Aim.

(3) Mr. Dai Yongge is deemed to be interested in the shares held by his spouse, Ms. Zhang Xingmei.

(4) These shares of the Company are held by Swift Fast Limited, which is wholly-owned by Mr. Wang Hongfang.

(5) Ms. Zhang Xingmei holds the entire issued share capital of Win Spread Limited ("Win Spread"). Win Spread holds the entire issued share capital of Dili Group Holdings Company Limited ("Dili Group"). Dili Group holds the entire issued share capital of Shouguang Dili Agri-Products Group Company Limited ("Shouguang Dili"). Shouguang Dili holds the entire issued share capital of New Amuse Limited ("New Amuse"). New Amuse in turn holds 48,031,332,170 Shares in our Company. Accordingly, each of Ms. Zhang Xingmei, Win Spread, Dili Group and Shougang Dili is deemed to be interested in the 48,031,332,170 Shares held by New Amuse.

(6) Ms. Zhang Xingmei is deemed to be interested in the shares held by her spouse, Mr. Dai Yongge.

(7) These shares of the Company are held by United Magic Limited, which is wholly-owned by Mr. Zhang Dabin.

(8) These shares of the Company are held by Wonder Future Limited, which is wholly-owned by Ms. Wang Chunrong.

Save as disclosed above, none of the directors or chief executives of the Company or their associates had, as at 30 June 2018, any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the interests or short positions of the substantial shareholders (other than the directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of director	Capacity	Number of issued shares/Nature of interest (note 1)	Approximate percentage of interest in the Company
Super Brilliant Investments Limited	Beneficial owner	26,425,278,866 (L)	60.10%
	Beneficial owner	66,556,293 (S)	0.15%
Shining Hill Investments Limited (note 2)	Interest in a controlled corporation	26,425,278,866 (L)	60.10%
	Interest in a controlled corporation	66,556,293 (S)	0.15%
New Amuse Limited	Beneficial owner	48,031,332,170 (L)	109.25%
Shouguang Dili Agri-Products Group Company Limited	Interest in a controlled corporation	48,031,332,170 (L)	109.25%

Name of director	Capacity	Number of issued shares/Nature of interest (note 1)	Approximate percentage of interest in the Company
Dili Group Holdings Company Limited	Interest in a controlled corporation	48,031,332,170 (L)	109.25%
Win Spread Limited	Interest in a controlled corporation	48,031,332,170 (L)	109.25%

Notes:

(1) The letter "L" denotes the person's long position in such shares, and the letter "S" denotes the person's short position in such shares.

(2) Mr. Dai Yongge is interested in the entire issued share capital of Shining Hill which in turn is interested in the entire issued share capital of Super Brilliant and therefore, Mr. Dai Yongge and Shining Hill are deemed or taken to be interested in the shares beneficially owned by Super Brilliant for the purposes of the SFO.

Save as disclosed above and so far as the Directors are aware of, as at 30 June 2018, there was no other person, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 25 August 2008. There were no outstanding share options as at 30 June 2018. No share options have been granted, exercised, cancelled and lapsed during the six months ended 30 June 2018.

Save as disclosed above, as at 30 June 2018, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company.

CHANGES IN DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

As at 30 June 2018, there had not been any changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 six months ended 30 June 2018.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, throughout the six months ended 30 June 2018, save and except for the following:

Under the Code provision E.1.2, the chairman of the board should attend the annual general meeting ("AGM"). Mr. Dai Yongge, the former Chairman of the Board was unable to attend the AGM of the Company held on 27 June 2018 due to other business commitments. In absence of the Chairman, Mr. Wang Hongfang, a former 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 CG Code for the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for directors' securities transactions. Upon specific enquiry made by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the CG 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 comprises three independent non-executive directors. The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2018.

Independent Review Report

Review report to the board of directors of
Renhe Commercial Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 15 to 42 which comprises the consolidated statement of financial position of Renhe Commercial Holdings Company Limited (the "Company") as at 30 June 2018 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting,* issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting.*

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 August 2018

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2018	2017
	Note	**RMB'000**	RMB'000
Revenue	*3(a)*	**483,713**	504,838
Other income	*4*	**53,269**	58,488
Administrative expenses		**(249,225)**	(273,069)
Other operating expenses		**(307,791)**	(308,943)
Loss from operations		**(20,034)**	(18,686)
Finance income		**12,632**	2,407
Finance expenses		**(190)**	(329)
Net finance income	*5(a)*	**12,442**	2,078
Loss before taxation	*5*	**(7,592)**	(16,608)
Income tax	*6*	**(41,975)**	(49,703)
Loss attributable to equity shareholders of the Company for the period		**(49,567)**	(66,311)
Basic and diluted loss per share (RMB cents)	*7*	**(0.11)**	(0.15)

The notes on pages 23 to 42 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Loss attributable to equity shareholders of the Company for the period	**(49,567)**	(66,311)
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**14,184**	163,700
Total comprehensive income attributable to equity shareholders of the Company for the period	**(35,383)**	97,389

The notes on pages 23 to 42 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-current assets			
Property and equipment		**690,462**	681,420
Intangible assets	*8*	**5,547,325**	5,709,390
Goodwill	*9*	**386,380**	386,380
Deferred tax assets	*14*	**714**	–
Total non-current assets		**6,624,881**	6,777,190
Current assets			
Inventories	*10*	**48,907**	44,432
Trade and other receivables	*11*	**1,387,664**	764,656
Cash at bank and on hand	*12*	**593,970**	1,222,118
Total current assets		**2,030,541**	2,031,206
Current liabilities			
Trade and other payables	*13*	**325,130**	401,502
Taxation		**39,061**	41,585
Total current liabilities		**364,191**	443,087
Net current assets		**1,666,350**	1,588,119
Total assets less current liabilities		**8,291,231**	8,365,309

The notes on pages 23 to 42 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2018 – unaudited *(continued)*
(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Non-current liabilities			
Deferred income		**2,855**	–
Deferred tax liabilities	*14*	**1,383,858**	1,424,400
Receipt-in-advance		**3,023**	4,031
Total non-current liabilities		**1,389,736**	1,428,431
Net assets		**6,901,495**	6,936,878
Capital and reserves			
Share capital	*15(b)*	**366,604**	366,604
Reserves		**6,534,891**	6,570,274
Total equity		**6,901,495**	6,936,878

Approved and authorised for issue by the board of directors on 28 August 2018.

Dai Yongge
Director

Dai Bin
Director

The notes on pages 23 to 42 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 – unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *Note15(b)*	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Statutory reserve fund RMB'000	Exchange reserves RMB'000	Merger reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2017	366,604	13,862,305	7,508	129,488	701,830	(317,793)	128,704	(7,913,460)	6,965,186
Changes in equity for the six months ended 30 June 2017:									
Loss for the period	–	–	–	–	–	–	–	(66,311)	(66,311)
Other comprehensive income	–	–	–	–	–	163,700	–	–	163,700
Total comprehensive income	–	–	–	–	–	163,700	–	(66,311)	97,389
Balance at 30 June 2017	366,604	13,862,305	7,508	129,488	701,830	(154,093)	128,704	(7,979,771)	7,062,575

The notes on pages 23 to 42 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 – unaudited *(continued)*
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *Note15(b)*	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Statutory reserve fund RMB'000	Exchange reserves RMB'000	Merger reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 30 June 2017 and 1 July 2017	366,604	13,862,305	7,508	129,488	701,830	(154,093)	128,704	(7,979,771)	7,062,575
Changes in equity for the six months ended 31 December 2017									
Loss for the period	–	–	–	–	–	–	–	(60,739)	(60,739)
Other comprehensive income	–	–	–	–	–	(64,958)	–	–	(64,958)
Total comprehensive income	–	–	–	–	–	(64,958)	–	(60,739)	(125,697)
Transfer to reserve fund	–	–	–	–	52,294	–	–	(52,294)	–
Balance at 31 December 2017	366,604	13,862,305	7,508	129,488	754,124	(219,051)	128,704	(8,092,804)	6,936,878

The notes on pages 23 to 42 form part of this interim financial report.

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 *Note15(b)*	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Statutory reserve fund RMB'000	Exchange reserves RMB'000	Merger reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2018	366,604	13,862,305	7,508	129,488	754,124	(219,051)	128,704	(8,092,804)	6,936,878
Changes in equity for the six months ended 30 June 2018:									
Loss for the period	–	–	–	–	–	–	–	(49,567)	(49,567)
Other comprehensive income	–	–	–	–	–	14,184	–	–	14,184
Total comprehensive income	–	–	–	–	–	14,184	–	(49,567)	(35,383)
Balance at 30 June 2018	366,604	13,862,305	7,508	129,488	754,124	(204,867)	128,704	(8,142,371)	6,901,495

The notes on pages 23 to 42 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2018	2017
	Note	**RMB'000**	RMB'000
Operating activities			
Cash generated from operations		**70,507**	58,638
Tax paid		**(85,755)**	(98,382)
Net cash used in operating activities		**(15,248)**	(39,744)
Investing activities			
Purchase of property and equipment		**(23,194)**	(29,646)
Government grant received		**2,880**	–
Payment for loans and advances to third parties		**(700,000)**	–
Proceeds from repayment of loans and advances to third parties		**1,062,837**	–
Payment for deposits of acquisition		**(377,000)**	–
Prepayment for acquisition of subsidiaries		**(590,170)**	–
Decrease in time deposits		**105,000**	–
Other cash flows generated from investing activities		**11,402**	417,669
Net cash (used in)/generated from investing activities		**(508,245)**	388,023
Financing activities			
Advances from a director	*18(b)*	**–**	1,445,026
Repayment to a director		**–**	(1,487,800)
Net cash used in financing activities		**–**	(42,774)
Net (decrease)/increase in cash and cash equivalents		**(523,493)**	305,505
Cash and cash equivalents at 1 January		**1,097,118**	1,464,956
Effect of foreign exchange rate changes		**345**	(702)
Cash and cash equivalents at 30 June	*12*	**573,970**	1,769,759

The notes on pages 23 to 42 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report of Renhe Commercial Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 28 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) promulgated by the IASB.

The interim financial report is unaudited, but has been reviewed by KPMG 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 Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 14.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) IFRS 9, *Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation*

IFRS 9 replaces IAS 39, *Financial instruments*: *recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

(i) Classification of financial assets and financial liabilities

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The measurement categories for all financial assets and financial liabilities remain the same. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS 9.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) IFRS 9, *Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)*

(ii) Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables).

Measurement of ECLs

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

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

— fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

— variable-rate financial assets: current effective interest rate.

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

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

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) IFRS 9, *Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation* (continued)

(ii) Credit losses *(continued)*

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

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

Significant increases in credit risk

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

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

— failure to make payments of principal and interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) IFRS 9, *Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)*

(ii) Credit losses *(continued)*

Basis of calculation of interest income

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

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

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

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in principal and interest payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

No additional ECLs at 1 January 2018 was recognised by the Group by the adoption of IFRS 9.

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) IFRS 9, *Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation (continued)*

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9, if any, are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

— The assessments on the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group).

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

The adoption of IFRS 9 does not have any material impact on the financial position and the financial result of the Group.

(c) IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, *Revenue,* which covered revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specified the accounting for construction contracts.

There is no impact of transition to IFRS 15 on retained earnings and the related tax impact at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

(c) IFRS 15, *Revenue from contracts with customers (continued)*

Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue.

This change in accounting policy had no material impact on opening balances as at 1 January 2018 and the Group's financial results from 2018 onwards.

3 REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

Disaggregation of revenue with customers by service lines is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Revenue with customers within the scope of IFRS 15		
Operating lease	**130,648**	118,744
Commission income	**353,065**	386,094
	483,713	504,838

Note: The Group has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with IAS 18 and IAS 11 (see Note 2(c)).

(b) Segment reporting

The Group manages its business in a single segment, namely operation of agriculture wholesale markets. The Group's most senior executive management assesses performance and allocates resources on a group basis. Accordingly, no operating segment information is presented.

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

4 OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Market service fee income	**53,215**	58,301
Gain on disposal of property and equipment	**–**	146
Others	**54**	41
	53,269	58,488

5 LOSS BEFORE TAXATION

(a) Net finance income

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Finance income		
— Interest income on bank deposits	**2,660**	2,198
— Interest income on loans to third parties	**9,627**	–
— Net foreign exchange gain	**345**	209
	12,632	2,407
Finance expenses		
— Bank charges and others	**(190)**	(329)
	12,442	2,078

(b) Other items

		Six months ended 30 June	
		2018	2017
	Note	**RMB'000**	RMB'000
Depreciation		**29,611**	23,413
Amortisation	8	**162,166**	162,166
Advertisement expenses		**263**	14,220
Repairs and maintenance		**24,993**	9,667
Utility charges		**28,216**	19,342
Operating lease charges		**65,792**	68,261

6 INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax		
Provision for the period	**82,132**	89,755
Under-provision in respect of prior years	**1,099**	490
	83,231	90,245
Deferred tax		
Reversal and origination of temporary difference	**(41,256)**	(40,542)
	41,975	49,703

(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%.

(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 period.

7 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 RMB49,567,000 (six months ended 30 June 2017: loss of RMB66,311,000) and the weighted average of 43,966,100,000 ordinary shares (six months ended 30 June 2017: 43,966,100,000 ordinary shares) in issue during the six months ended 30 June 2018. As described in Note 15(b)(i), the Company completed the rights issue in July 2018. The rights issue didn't include any bonus element without consideration. The weighted average number of shares outstanding during the periods ended 30 June 2018 and 2017 was not adjusted to reflect the issuance of shares under rights issue.

During the six months ended 30 June 2018 and 2017, diluted loss per share is calculated on the same basis as basic loss per share.

8 INTANGIBLE ASSETS

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 compared 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 six months ended 30 June 2018 of RMB162,166,000 is included in other operating expenses in the consolidated statement of profit or loss.

9 GOODWILL

Goodwill of RMB386,380,000 relates to the acquisition of agriculture wholesale markets business which was completed on 27 July 2015.

10 INVENTORIES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trading goods	**48,907**	44,432

11 TRADE AND OTHER RECEIVABLES

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Prepayment of consideration for Hangzhou Acquisition	*21(a)*	**590,170**	–
Amounts due from related parties	*18(c)*	**13,928**	9,190
Loans to third parties	*(i)*	**332,184**	687,920
Deposits for potential acquisitions	*(ii)*	**377,000**	–
Others		**74,382**	67,546
		1,387,664	764,656

(i) Loans to third parties

As at 30 June 2018, loans to a third party are unsecured with principal of RMB331 million, which are subject to a fixed interest rate of 6% per annum and have been fully repaid in July and August 2018.

(ii) Deposits for potential acquisitions

The balance as at 30 June 2018 represented deposits for potential acquisitions of business in the PRC. The Group paid these deposits to two third party agents, who were engaged to assist in negotiation with potential vendors. Subsequent to the end of the reporting period, these negotiations were unsuccessful and all of the deposits were refunded to the Group in July and August 2018.

12 CASH AT BANK AND ON HAND

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Cash on hand	**2,989**	11,883
Cash at bank	**590,981**	1,210,235
	593,970	1,222,118
Representing:		
— Cash and cash equivalents	**573,970**	1,097,118
— Time deposits with original maturity over three months	**20,000**	125,000
	593,970	1,222,118

13 TRADE AND OTHER PAYABLES

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Receipts in advance		**100,016**	162,786
Construction payables		**86,697**	74,483
Other taxes payable		**1,172**	6,456
Deposits	*(i)*	**103,407**	121,934
Amounts due to related parties	*18(c)*	**5,904**	3,760
Salary and welfare expenses payable		**11,075**	23,947
Professional service fee payables		**15,758**	3,800
Others		**1,101**	4,336
		325,130	401,502

(i) 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 DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the period are as follows:

	Government grants	Deferred tax liabilities arising from business combination	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2017	–	(1,505,484)	(1,505,484)
Credited to profit or loss	–	81,084	81,084
At 31 December 2017	–	(1,424,400)	(1,424,400)
At 1 January 2018	–	(1,424,400)	(1,424,400)
Deferred tax assets recognised	720	–	720
Credited to profit or loss	(6)	40,542	40,536
At 30 June 2018	714	(1,383,858)	(1,383,144)

Deferred tax liabilities mainly represent the deferred tax liabilities recognised as a result of the acquisition of agriculture wholesale markets business in July 2015. It was reversed in line with the amortisation of the intangible asset identified during the acquisition.

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

There was no interim dividend declared attributable to the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

The directors of the Company did not recommend the payment of a final dividend attributable to the previous financial years during the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

(b) Share capital

	At 30 June 2018		At 31 December 2017	
	Number of shares ’000	**RMB’000**	Number of shares ’000	RMB’000
Authorised:				
Ordinary shares of HKD0.01 each	**80,000,000**		80,000,000	
Issued and fully paid:				
At 1 January	**43,966,100**	**366,604**	43,966,100	366,604
At 30 June/31 December	**43,966,100**	**366,604**	43,966,100	366,604

(i) Rights issue

During the period ended 30 June 2018, the Group proposed the right shares at a subscription price of HKD0.163 each on the basis of three right share for every ten existing shares held on 8 June 2018 (the “Rights Issue”), which was not completed as at 30 June 2018. On 11 July 2018, all the conditions of underwriting agreement had been fulfilled and the Rights Issue became unconditional, a total number of 13,189,830,130 shares had been issued.

16 OPERATING LEASE

(a) Leases as lessor

The future minimum lease receivables under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Less than one year	**89,962**	153,869
Between one and two years	**3,023**	4,031
	92,985	157,900

(b) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Less than one year	**129,441**	130,206
Between one and five years	**478,298**	479,139
More than five years	**1,615,086**	1,673,184
	2,222,825	2,282,529

17 CAPITAL COMMITMENTS

As at 30 June 2018 and 31 December 2017, the Group has the following commitments not provided for in the financial statements:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Contracted for	**5,078**	16,586

18 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Salaries and other emoluments	**35,593**	36,917
Retirement plan contributions	**115**	70
	35,708	36,987

(b) Material related party transactions

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Operating lease expense to related parties	**49,643**	49,889
Lease prepayment to related parties	**(54,381)**	(8,720)
Advances from related parties	**2,136**	–
Advances from a director	**–**	1,445,026
Repayment to a director	**–**	(1,487,800)

18 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(c) Related party balances

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Amounts due to related parties			
— Mr. Dai Yongge*		**(889)**	(881)
— Entities under control of Ms. Zhang Xingmei**		**(5,015)**	(2,879)
	13	**(5,904)**	(3,760)
Amounts due from related parties			
— Mr. Dai Yongge*		**48**	48
— Entities under control of Ms. Zhang Xingmei**		**13,880**	9,142
	11	**13,928**	9,190
		8,024	5,430

* Mr. Dai Yongge, an executive director of the Company.

** Ms. Zhang Xingmei, a non-executive director of the Company and the spouse of Mr. Dai Yongge. The transactions with entities under control of Ms. Zhang Xingmei are mainly the lease as described in Note 8.

19 COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.

20 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED FOR THE PERIOD ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of IFRS 16, *Leases*.

IFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

As set out in Notes 8 and 16(b), the Group (as lessee) entered into 20 years lease agreements with market owners of the agriculture wholesale markets (as lessor). The adoption of IFRS16 will have significant impact on the Group's financial position and financial results. Meanwhile, as announced on 29 June 2018, the Group plans to acquire all of the equity interests of the market owners of the agriculture wholesale markets. The lease agreements would be terminated upon the completion of such acquisition, which is yet to be completed as at the date of this interim financial report.

21 SUBSEQUENT EVENTS

(a) Hangzhou Acquisition

On 5 June 2018, Yield Smart Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Vast Equity Investment Limited (the "Hangzhou Vendor"), which is wholly-owned by Mr. Suen, an independent third party. Pursuant to the sale and purchase agreement, Yield Smart Limited would acquire the entire issued share capital of Wise Path Holdings Limited, a company incorporated in the BVI, in turn to acquire the fruit, vegetables and seafood wholesale markets businesses in Hangzhou, the PRC (the "Hangzhou Acquisition").

The total consideration for the Hangzhou Acquisition is HKD1,470,000,000 (equivalent to RMB1,223,000,000 approximately), which shall be satisfied by cash, RMB590,170,000 of which has been prepaid to the Hangzhou Vendor as at 30 June 2018.

The above Hangzhou Acquisition has completed as all the conditions have been fulfilled or waived on 24 July 2018. As a result, Wise Path Holdings Limited became a wholly-owned subsidiary of the Company.

(b) Rights Issue

In July 2018, the Company has completed the Rights Issue as disclosed in Note 15.