

IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealers or registered institutions in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Eagle Legend Asia Limited**, you should at once hand this circular to the purchaser or the transferee, or to the stockbroker, registered dealer in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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EAGLE LEGEND ASIA

EAGLE LEGEND ASIA LIMITED

鵬程亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 936)

**MAJOR TRANSACTION
IN RELATION TO
THE ACQUISITION OF A 51% EQUITY INTEREST IN
BEST EARNEST INVESTMENTS LIMITED**

Financial adviser to Eagle Legend Asia Limited


Optima Capital Limited

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

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| “2016 Actual Profit” | the net profit after tax attributable to the owners of Guangdong Dahe (excluding changes in fair value of assets through profit or loss and government subsidies) prepared in accordance with the PRC GAAP for the year ending 31 December 2016 |
| “Acquisition” | the proposed acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement |
| “Acquisition Agreement” | the conditional sale and purchase agreement dated 27 October 2016 entered into between the Purchaser and the Vendor in relation to the Acquisition |
| “Board” | the board of Directors |
| “Business Day(s)” | a day(s) (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business |
| “Company” | Eagle Legend Asia Limited 鵬程亞洲有限公司, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 936) |
| “Completion” | completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement |
| “Completion Date” | the date on which Completion takes place |
| “Director(s)” | director(s) of the Company |
| “Enlarged Group” | the Group as enlarged by the Acquisition upon Completion |
| “Group” | the Company and its subsidiaries |
| “Guangdong Dahe” | 廣東大合生物科技股份有限公司 (Guangdong Dahe Biological Technologies Limited*), a company established in the PRC with limited liability and an indirect 80%-owned subsidiary of the Target |
| “Harbour Luck” | Harbour Luck Investments Limited, a company incorporated in Hong Kong and the controlling Shareholder, the issued shares of which are owned by Mr. Zeng Li |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |

DEFINITIONS

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| “HKFRS” | Hong Kong Financial Reporting Standards |
| “Latest Practicable Date” | 16 December 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Memorandum of Understanding” | the memorandum of understanding dated 13 June 2016 entered into between the Purchaser and the Vendor in relation to the Acquisition |
| “PRC” | the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macao Special Administrative Region and Taiwan |
| “PRC GAAP” | the generally accepted accounting principles in the PRC |
| “Promissory Note” | the 2-year interest-free promissory note in the principal amount of HK\$110,000,000 to be issued by the Company to the Vendor or its nominee(s) at Completion for partial settlement of the consideration of the Acquisition |
| “Purchaser” | Lucky Boom Investments Limited 祥盛投資有限公司, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company |
| “Qianhai ECG” | 深圳前海化橘紅生物科技有限公司 (Shenzhen Qianhai Exocarpium Citri Grandis Biological Technologies Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target |
| “Sale Shares” | 102 issued shares of US\$1.00 each in the capital of the Target, representing 51% of the issued share capital of the Target |
| “Settlement Agreement” | the settlement agreement dated 8 October 2016 entered into among 余兵先生 (Mr. Yu Bing*), 吳俊松先生 (Mr. Wu Junsong*), 吳維國先生 (Mr. Wu Weiguo*), 吳維典先生 (Mr. Wu Weidian*) and Guangdong Dahe in respect of the lawsuits involving the Woodlands |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the issued share capital of the Company |

DEFINITIONS

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|------------------|---|
| “Shareholder(s)” | the holder(s) of the issued Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target” | Best Earnest Investments Limited 佳誠投資有限公司, a company incorporated in the British Virgin Islands with limited liability |
| “Target Group” | the Target and its subsidiaries (from time to time) |
| “Woodlands” | (i) the five parcels of woodlands with a total area of 2,035.36 mu, of which Guangdong Dahe has been contracted by the relevant local village economic cooperatives and has obtained 林權證 (forestry rights certificates*), entitling Guangdong Dahe the rights to use these woodlands, and the rights to own and use the forestry trees on these woodlands until 1 October 2034; and (ii) the sixth parcel of woodland with an area of 116 mu, of which Guangdong Dahe has the relevant forestry rights for the period from 1 October 2013 to 1 December 2034 pursuant to a contract dated 12 December 2013 entered into between Guangdong Dahe and a local village economic cooperative in Huazhou City |
| “Vast Bloom” | Vast Bloom Investment Limited 大旺投資有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target |
| “Vendor” | 何曉陽先生 (Mr. He Xiaoyang), the sole beneficial owner of the Target |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “mu” | 畝, a unit of land area in the PRC |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “%” | per cent. |

In this circular, amounts in RMB are translated into HK\$ on the basis of RMB1 = HK\$1.18. The translation rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at such rate or at all.

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

LETTER FROM THE BOARD

EAGLE LEGEND ASIA

EAGLE LEGEND ASIA LIMITED

鵬程亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 936)

Executive Directors:

Mr. Zeng Li (*Chairman*)
Mr. Winerthan Chiu
Mr. Chan Ka Lun

Independent non-executive Directors:

Mr. Wan Tze Fan Terence
Mr. Tsui Robert Che Kwong
Ms. Yang Yan Tung Doris

Registered office:

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

*Head office and principal place
of business in Hong Kong:*

Room 3607, 36/F
China Resources Building
26 Harbour Road
Wan Chai
Hong Kong

21 December 2016

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO
THE ACQUISITION OF A 51% EQUITY INTEREST IN
BEST EARNEST INVESTMENTS LIMITED**

INTRODUCTION

Reference is made to the announcements of the Company dated (i) 13 June 2016 in relation to the entering into of the Memorandum of Understanding between the Purchaser (a direct wholly-owned subsidiary of the Company) and the Vendor in respect of the possible acquisition of a 51% equity interest in the Target; and (ii) 27 October 2016 in relation to the entering into of the Acquisition Agreement between the Purchaser and the Vendor.

LETTER FROM THE BOARD

After trading hours of the Stock Exchange on 27 October 2016, the Purchaser and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, which represent a 51% equity interest in the Target, at a consideration of HK\$220,000,000. The consideration of HK\$220,000,000 shall be payable to the Vendor as to HK\$110,000,000 in cash by the Purchaser and as to HK\$110,000,000 by the issuance of the Promissory Note with principal amount of HK\$110,000,000 by the Company.

The Acquisition constitutes a major transaction of the Company under the Listing Rules and is subject to, among other things, the Shareholders' approval requirements.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition, and accordingly no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the resolution(s) in respect of the Acquisition Agreement and the transactions contemplated thereunder. Harbour Luck, being the controlling Shareholder interested in 600,000,000 Shares (representing approximately 62.5% of the issued Shares as at the date of the Acquisition Agreement) has given its written approval for the Acquisition Agreement and the transactions contemplated thereunder and such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition Agreement; (ii) the financial information of the Group; (iii) the financial information of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group assuming Completion takes place; (v) the valuation report of Guangdong Dahe; and (vi) other information as required under the Listing Rules.

THE ACQUISITION AGREEMENT

Date

27 October 2016

Parties

- (i) Lucky Boom Investments Limited, a direct wholly-owned subsidiary of the Company, being the Purchaser; and
- (ii) Mr. He Xiaoyang, being the Vendor.

The Vendor is the sole beneficial owner and the sole director of the Target. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

LETTER FROM THE BOARD

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares. The Sale Shares, representing a 51% equity interest in the Target, will be sold free from all encumbrances and together with all rights attaching thereto from Completion, including any dividend or other distribution to be declared, made or paid after Completion. The Target indirectly holds 80% of the registered capital of Guangdong Dahe, which is principally engaged in the cultivation, research, processing and sale of exocarpium citri grandis (化橘紅), a Chinese herbal medicine, in Huazhou City, Guangdong Province, the PRC. Please refer to the section headed “Information on the Target Group” below for further details.

Consideration

The consideration for the Sale Shares of HK\$220,000,000 shall be payable at Completion. The consideration shall be satisfied as to HK\$110,000,000 in cash by the Purchaser and as to HK\$110,000,000 by the issuance of the Promissory Note with principal amount of HK\$110,000,000 by the Company.

As a security for the profit guarantee as described in the paragraph headed “Profit guarantee” below in this section, the cash consideration and the Promissory Note shall be held in escrow by the Company or its nominee(s) upon Completion and shall only be released to the Vendor or its nominee(s), after deducting the compensation amount to be paid by the Vendor to the Purchaser (if any) pursuant to the relevant profit guarantee clauses under the Acquisition Agreement (details of which are disclosed in the paragraph headed “Profit guarantee” below in this section), within three Business Days after the Company has received (i) the written instruction from the Purchaser; and (ii) the certificate from an auditor confirming the amount of the 2016 Actual Profit and the compensation amount to be paid by the Vendor. In the event that the Company does not receive the aforesaid instruction from the Purchaser on or before 30 April 2017, the Company shall release, within three Business Days, the entire consideration held in escrow to the Vendor or its nominee(s).

The consideration was arrived at after arm’s length negotiations between the Purchaser and the Vendor having taken into account, among other things, the 40.8% effective interest in Guangdong Dahe attributable to the Sale Shares and the preliminary valuation of the 100% registered capital of Guangdong Dahe as at 31 July 2016 as assessed by an independent valuer based on market approach. The preliminary valuation of the 100% registered capital of Guangdong Dahe of approximately HK\$542.3 million implies a price-to-earnings ratio of approximately 16.86 times based on the unaudited net profit after tax of Guangdong Dahe for the trailing 12 months ended 31 July 2016 prepared in accordance with the PRC GAAP of approximately RMB27.3 million (equivalent to approximately HK\$32.2 million), which did not include any extraordinary item generated outside of the ordinary and usual course of business of Guangdong Dahe. Based on the valuation report of Guangdong Dahe as set out in Appendix V to this circular, the valuation of the 100% registered capital of Guangdong Dahe as at 31 July 2016 amounted to approximately HK\$542.3 million. The consideration of HK\$220 million approximates the valuation of the 40.8% effective interest in Guangdong Dahe as at 31 July 2016 attributable to the Sale Shares of approximately HK\$221.3 million.

LETTER FROM THE BOARD

The valuation of Guangdong Dahe prepared by the independent valuer is based on the unaudited net profit after tax of Guangdong Dahe prepared in accordance with the PRC GAAP rather than the HKFRS. Pursuant to the PRC GAAP, the biological assets of Guangdong Dahe, including growing produce on the bearer plants, seedlings and harvested fresh fruits, are measured at historical costs, which would otherwise be measured at fair value less costs to sale under the HKFRS. Accordingly, it is considered that the net profits of Guangdong Dahe under the PRC GAAP which do not take into account the effects of changes in fair value of biological assets through profit and loss can better reflect the actual operating results and performance of Guangdong Dahe.

The implied price-to-earnings ratio of approximately 16.86 times mentioned above represents the amount an investor, or a shareholder, is paying for a dollar of earnings of Guangdong Dahe. Based on the valuation report of Guangdong Dahe as set out in Appendix V to this circular, such implied price-to-earnings ratio was determined based on the median price-to-earnings ratio of approximately 21.4 times among six selected listed companies which are in the agricultural segment and have own cultivation area in the PRC with such lines of business comparable to that of Guangdong Dahe, and was adjusted by (i) a control premium of 5% for obtaining a controlling equity interest; and (ii) a discount of lack of marketability of 25% for the value of Guangdong Dahe as a private company.

As the Acquisition represents an acquisition of the *exocarpium citri grandis* cultivation business rather than an acquisition of the assets of Guangdong Dahe, the Company considers that the values of the individual assets of the Guangdong Dahe are of less relevance and has not made reference to the net asset value of Guangdong Dahe in determining the consideration for the Acquisition.

The Company understands from the Vendor that in January 2016, Vast Bloom (a company wholly owned by the Vendor) contributed new capital of RMB40 million into Guangdong Dahe, which represents 80% of the enlarged registered capital of Guangdong Dahe of RMB50 million, and acquired an 80% equity interest in Guangdong Dahe (details of which are disclosed in the section headed “Information on the Target Group” below). The capital contribution of RMB40 million by Vast Bloom in the registered capital of Guangdong Dahe was not determined by reference to any valuation or net asset value of Guangdong Dahe but was instead agreed taking into account the then capital needs and circumstances of Guangdong Dahe. The Directors consider the aforesaid amount of capital contribution by Vast Bloom into Guangdong Dahe does not reflect the value of Guangdong Dahe in its existing state and therefore has not made reference to such amount in determining the consideration of the Acquisition.

The Purchaser intends to fund the cash consideration by the Group’s internal resources. The earnest money in the amount of HK\$5,000,000 paid by the Purchaser to the Vendor upon the signing of the Memorandum of Understanding has been fully refunded to the Purchaser upon the signing of the Acquisition Agreement.

LETTER FROM THE BOARD

Profit guarantee

Pursuant to the Acquisition Agreement, the Vendor has irrevocably guaranteed to the Purchaser that the 2016 Actual Profit, being the net profit after tax attributable to the owners of Guangdong Dahe (excluding changes in fair value of assets through profit or loss and government subsidies) prepared in accordance with the PRC GAAP for the year ending 31 December 2016, shall be not less than RMB28,000,000 (equivalent to approximately HK\$33,040,000). The benchmark profit of RMB28,000,000 was determined by the Purchaser and the Vendor with reference to the unaudited net profit after tax of Guangdong Dahe for the trailing 12 months ended 31 July 2016 prepared in accordance with the PRC GAAP of approximately RMB27.3 million.

In the event that the 2016 Actual Profit is less than RMB28,000,000, the Vendor shall compensate the Purchaser an amount calculated based on the following formula:

$$\begin{array}{l} \text{Compensation amount} \\ \text{(in HK\$)} \end{array} = \begin{array}{l} (\text{RMB28,000,000} - \text{the 2016 Actual Profit}) \\ \times 51\% \times 80\% \times 16.86 \times 1.18 \end{array}$$

If Guangdong Dahe were to record a loss for the year ending 31 December 2016, the 2016 Actual Profit for the purpose of calculating the compensation amount shall be regarded as zero. In any case, the compensation amount shall not exceed the consideration for the Sale Shares, i.e. HK\$220,000,000.

The Purchaser and the Vendor shall jointly engage an auditor designated by the Purchaser to prepare and to provide them with (i) the audited financial statements of Guangdong Dahe for the year ending 31 December 2016 in accordance with the PRC GAAP; and (ii) a certificate confirming the amount of the 2016 Actual Profit and the compensation amount calculated based on the aforesaid formula, within 10 weeks after the end of 2016.

The compensation amount (if any) shall be set off against (i) firstly the face value of the Promissory Note on a dollar for dollar basis; and (ii) secondly the cash consideration for the Sale Shares held in escrow if the face value of the Promissory Note is not sufficient to cover the entire compensation amount.

LETTER FROM THE BOARD

Conditions precedent

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (i) the Purchaser being satisfied with the results of the due diligence review on the assets, liabilities, operations and affairs of the Target Group to be carried out by the Purchaser;
- (ii) if necessary, the passing of the necessary resolution(s) by the Shareholders at an extraordinary general meeting of the Company to be convened and held (or the obtaining of the written approval from a Shareholder or a closely allied group of Shareholders holding more than 50% of the issued Shares which is accepted in lieu of holding a general meeting of the Company pursuant to Rule 14.44 of the Listing Rules) to approve the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Promissory Note); and the circular in relation to the Acquisition Agreement and the transactions contemplated thereunder having been despatched to the Shareholders;
- (iii) the Vendor having obtained all necessary consents and approvals in respect of the sale and purchase of the Sale Shares;
- (iv) the Purchaser having obtained all necessary consents and approvals in respect of the sale and purchase of the Sale Shares;
- (v) the representations, warranties and undertakings given by the Vendor under the Acquisition Agreement remaining true and accurate and not misleading, and there being no other matters which constitute or may constitute any breach of such representations, warranties and undertakings or situations, facts or circumstances relating to the Vendor and/or the Target Group under the Acquisition Agreement;
- (vi) the Purchaser having obtained a valuation report issued by a firm of independent professional valuers appointed by the Purchaser in such form and substance satisfactory to the Purchaser, showing that the valuation of the 100% registered capital of Guangdong Dahe is not less than HK\$540,000,000, and having included such valuation report in the circular to be issued by the Company in relation to the Acquisition Agreement and the transactions contemplated thereunder;
- (vii) the Purchaser having obtained a legal opinion issued by a firm of PRC lawyers appointed by the Purchaser in respect of, among other things, the affairs and reorganisation of the Target Group (which refers to Vast Bloom's acquisition of 80% equity interest in Guangdong Dahe by way of capital contribution in January 2016, details of which are disclosed in the section headed "Information on the Target Group" below) in such form and substance satisfactory to the Purchaser;
- (viii) there being no material adverse change in the financial position, businesses, assets or operating results of the Target Group since the date of the Acquisition Agreement; and

LETTER FROM THE BOARD

- (ix) the Purchaser having obtained a legal opinion issued by a firm of PRC lawyers appointed by the Purchaser in respect of the lawsuits relating to the Woodlands of the Target Group (details of which are disclosed in the paragraph headed “Lawsuits relating to the Woodlands” under the section headed “Information on the Target Group” below) in such form and substance satisfactory to the Purchaser, confirming that (a) the Settlement Agreement entered into by parties involved in the lawsuits and Guangdong Dahe is valid, effective and legally binding on the parties thereto; (b) the 民事調解書 (mediation statement*) and the 行政裁定書 (administrative ruling statement*) issued by the court(s) in respect of the lawsuits having become effective, and are valid and legally binding on the respective parties; and (c) in accordance with the mediation statement, the parties to the Settlement Agreement having confirmed that Guangdong Dahe has the legal right to use the Woodlands and to own and use the forestry trees etc. on the Woodlands, and the other parties not having any interests on the Woodlands. The disputes of interests among the parties involved in the civil action shall be fully and finally settled upon the mediation statement having become effective.

The Purchaser may in its absolute discretion at any time waive the conditions set out in (i), (v), (vii) and (viii) above by notice in writing to the Vendor. Other conditions cannot be waived by any parties to the Acquisition Agreement.

If any of the above conditions have not been fulfilled or waived by the Purchaser (as the case may be) on or before 28 February 2017 (or such later date as may be agreed by the parties to the Acquisition Agreement in writing), the Acquisition Agreement shall cease and determine (save and except for the provisions dealing with termination, confidentiality, notices, fees and governing law and jurisdiction which shall continue to have full force and effect) and no party to the Acquisition Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Acquisition Agreement.

As at the Latest Practicable Date, conditions (vii) and (ix) had been fulfilled. The Purchaser did not intend to waive any of the above conditions.

As at the Latest Practicable Date, the Purchaser is still conducting due diligence review on the Target Group. The Directors expects that the due diligence review will be completed shortly before Completion.

Completion

Completion shall take place on the second Business Day after all the conditions precedent under the Acquisition Agreement having been fulfilled or waived by the Purchaser (as the case may be) (or such later date as may be agreed by the parties to the Acquisition Agreement in writing).

At Completion, the Vendor shall, at the request by the Purchaser, procure a board meeting of the Target to be held to approve, among other things, the resignation of the existing director and appoint new director(s) to be nominated by the Purchaser with effect immediately upon Completion.

LETTER FROM THE BOARD

Upon Completion, the Target will become an indirect 51%-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Company.

THE PROMISSORY NOTE

The principal terms of the Promissory Note are as follows:

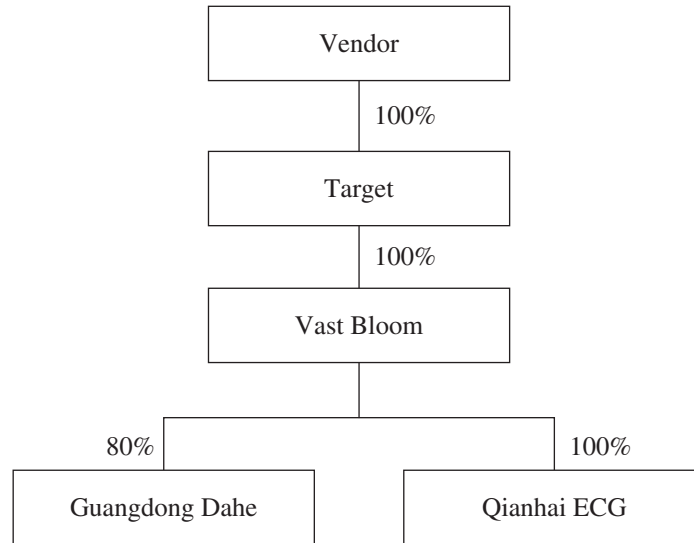
| | |
|--------------------------|---|
| Issuer: | the Company |
| Noteholders: | the Vendor or its nominee(s) |
| Principal amount: | HK\$110,000,000 |
| Issue date: | the Completion Date |
| Maturity date: | two years after the issue of the Promissory Note |
| Interest: | nil |
| Security: | the obligations of the Company under the Promissory Note are unsecured |
| Early redemption: | the Company may redeem all or part of the outstanding principal amount of the Promissory Note at any time between the issue date and the day prior to the maturity date by serving not less than 10 Business Days' prior written notice to the noteholders, provided that each redemption shall be made in the principal amount of not less than HK\$5,000,000 (or the entire outstanding principal amount if the outstanding principal amount of the Promissory Note is less than HK\$5,000,000) |
| Transferability: | the Promissory Note is not transferrable |

LETTER FROM THE BOARD

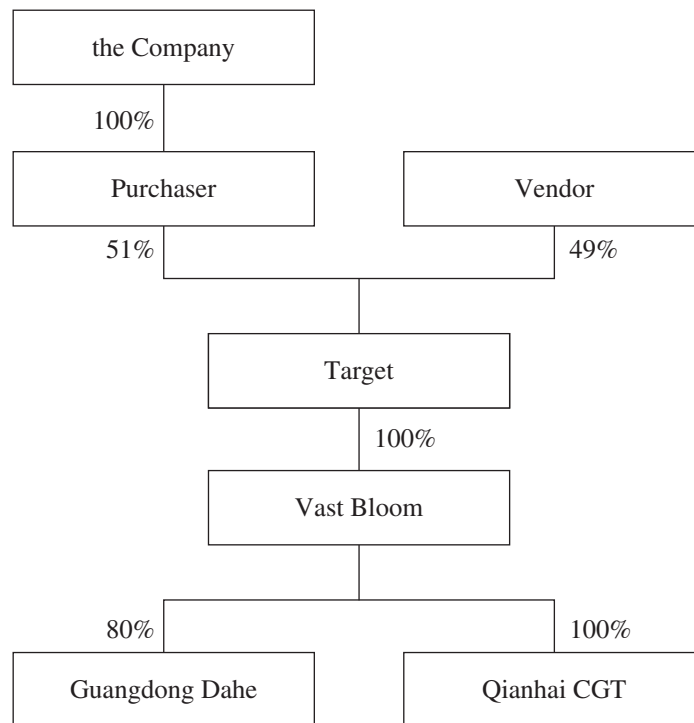
INFORMATION ON THE TARGET GROUP

Group structure

The diagram below depicts the group structure of the Target Group as at the Latest Practicable Date and immediately before Completion:



The diagram below depicts the group structure of the Target Group immediately after Completion:



LETTER FROM THE BOARD

Principal business

The Target Group comprises four members, namely the Target, Vast Bloom, Guangdong Dahe and Qianhai ECG.

The Target is an investment holding company incorporated in the British Virgin Islands on 26 October 2012 with limited liability. It is wholly owned by the Vendor as at the date of the Acquisition Agreement. The Target in turn holds 100% interest in Vast Bloom, an investment holding company incorporated in Hong Kong on 21 August 2015 with limited liability. The Target and Vast Bloom have not carried out any businesses and do not have any material assets and liabilities save for their respective investment(s) in their direct subsidiary(ies) and amount due to related parties.

Guangdong Dahe was established in the PRC on 30 September 2013 with limited liability and is principally engaged in the cultivation, research, processing and sale of exocarpium citri grandis (化橘紅), a Chinese herbal medicine, in the PRC. The initial operation of Guangdong Dahe at the start-up stage was mainly financed by internally generated resources, loans from related parties and from other independent third parties. As advised by the Vendor, Guangdong Dahe only had cash balance of approximately RMB0.5 million as at 31 December 2015, which was not sufficient to support its upcoming working capital needs and fund the capital required for scaling up its business to a new phase of development. It was expected that capital expenditures would be required for acquisition and installation of certain essential plant and equipment such as irrigation system to improve the efficiency of the cultivation of bearer plants and for processing of fresh fruits, as well as for construction of road and logistics facilities to support the sales and distribution of the products. In view of the imminent need of cash to finance its continuing operations, Guangdong Dahe agreed to enlarge its registered capital and Vast Bloom, an independent investor, was introduced as a new shareholder. In January 2016, Vast Bloom contributed new capital of RMB40 million into Guangdong Dahe, which represents 80% of the enlarged registered capital of Guangdong Dahe of RMB50 million. As at the date of the Acquisition Agreement, the registered capital of Guangdong Dahe was held as to 80% by Vast Bloom, 16.9% by 蔣燕女士 (Ms. Jiang Yan*) and 3.1% by 莊柏添先生 (Mr. Zhuang Botian*). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Ms. Jiang Yan and Mr. Zhuang Botian are founders of Guangdong Dahe and are third parties independent of the Vendor, the Company and its connected persons (as defined under the Listing Rules).

The principal asset of Guangdong Dahe is the exocarpium citri grandis cultivation project on the Woodlands in Huazhou City, Guangdong Province, the PRC. As at the date of the Acquisition Agreement, Guangdong Dahe has entered into contracts with relevant local village economic cooperatives in Huazhou City and obtained 林權證 (forestry rights certificates*) in respect of five parcels of woodlands with a total area of 2,035.36 mu, which entitle Guangdong Dahe to use these woodlands, and to own and use the forestry trees on these woodlands until 1 October 2034. The aforesaid local village economic cooperatives are 化州市新安鎮山西村龍眼根經濟合作社 (Economic Cooperatives of Longyan Gen Shanxi Village Xinan Town Huazhou City*), 化州市新安鎮山西村周村經濟合作社 (Economic Cooperatives of Zhou Cun Shanxi Village Xinan Town Huazhou City*), 化州市新安鎮山西村三華經濟合作社 (Economic Cooperatives of San Hua Shanxi Province Xinan Town Huazhou City*), 化州市新安鎮山西村茸草經濟合作社 (Economic Cooperatives of Rong Cao Shanxi Village Xinan Town Huazhou

LETTER FROM THE BOARD

City*) and 化州市東山街道儒教位村橋村經濟合作社 (Economic Cooperatives of Qiao Cun Confucianism Village Dongshan Street Huazhou City*) respectively, which are the respective owners of these five parcel of woodlands. Pursuant to a contract dated 12 December 2013 entered into between Guangdong Dahe and 化州市新安鎮山西村下寨經濟合作社 (Economic Cooperatives of Xiazhai Shanxi Village Xinan Town Huazhou City*), another local village economic cooperative in Huazhou City owning the sixth parcel of woodland with an area of 116 mu, Guangdong Dahe has been contracted the rights to use such woodland and the rights to own and use the forestry trees on such woodland for the period from 1 October 2013 to 1 December 2034. Application in respect of obtaining the forestry rights certificate for the sixth parcel of woodland is expected to be made to the relevant PRC authority after Completion. Based on the advice of GFE Law Office (廣東恒益律師事務所), the PRC legal adviser of the Company, there is no legal impediment in obtaining the aforesaid forestry rights certificate.

As at the Latest Practicable Date, there were approximately 90,000 exocarpium citri grandis bearer plants planted on the Woodlands. The harvest period of exocarpium citri grandis fresh fruit (the “**Fresh Fruits**”) is from April to June every year. Harvested Fresh Fruits are then processed to dried fruits (the “**Dried Fruits**”) and stocked each year for sale. Dried Fruits are mainly sold to pharmaceutical companies, trading company and other retail customers. In addition, Guangdong Dahe also sells exocarpium citri grandis seedlings (the “**Seedlings**”) mainly to local farmers and agricultural company. The major suppliers of Guangdong Dahe were mainly local farmers providing supplies of fertilizers.

Guangdong Dahe has obtained the business license issued by 茂名市工商行政管理局 (Administration for Industry and Commercial of Maoming City*) to conduct the relevant business activities in the PRC. Based on the advice of GFE Law Office (廣東恒益律師事務所), the PRC legal adviser of the Company, no other specific permits and licenses are required for Guangdong Dahe to operate the business of cultivation and sales of exocarpium citri grandis in the PRC.

The operation of Guangdong Dahe is currently managed by a team experienced in the cultivation and sales of exocarpium citri grandis. 陳劍鋒先生 (Mr. Chen Jianfeng*), the general manager, and 莊厚松先生 (Mr. Zhuang Housong*), the deputy general manager, each has over 10 years of managerial experience. In addition, Mr. Zhuang Housong has been involved in the market development of exocarpium citri grandis since 2009. Mr. Chen Jianfeng and Mr. Zhuang Housong are responsible for the sales and overall management of Guangdong Dahe. 胡珍才先生 (Mr. Hu Zhencai*), the deputy general manager, is responsible for the technical, cultivation and production aspects of the business of Guangdong Dahe. Mr. Hu Zhencai graduated from Guangdong Ocean University majoring in pomology in 1993. Prior to joining Guangdong Dahe, Mr. Hu Zhencai has been working as the agronomist in 化州市農業技術推廣中心 (Huazhou Agricultural Technology Promotion Centre*) for over 10 years. He is also an expert in cultivation of exocarpium citri grandis of 化州市農業局 (the Agricultural Bureau of Huazhou City*). Upon Completion, the Company intends to retain the existing key management of Guangdong Dahe to continue to manage the operations of Guangdong Dahe. As advised by the Vendor, such existing key management of Guangdong Dahe also intends to continue their employment with Guangdong Dahe after Completion.

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In view of the experience of the Directors in managing the Group's existing business of Chinese medicines and health products, the Directors possess the relevant knowledge in the Chinese medicine industry and will be able to contribute to the overall management, sales and marketing aspects of Guangdong Dahe. Going forward, the Company intends to enhance the research and development of products using exocarpium citri grandis and apply for patents and authentication certificates for the Target Group's products.

Qianhai ECG was established in the PRC on 13 April 2016 with limited liability. It is wholly owned by Vast Bloom and has not carried out any business since its establishment.

Financial information

The financial statements of Guangdong Dahe have been consolidated into the financial statements of the Target since 4 January 2016 (being the date of Vast Bloom obtaining control of Guangdong Dahe as referred to in the paragraph headed "Principal business" in this section).

The Target Group

Set out below are the audited consolidated financial information of the Target Group as extracted from the accountant's report on the Target Group for the three years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016, which were prepared in accordance with the HKFRS and are set out in Appendix II to this circular:

| | Year ended 31 December | | | For the six months ended 30 June |
|--------------------------|------------------------|----------|----------|--|
| | 2013 | 2014 | 2015 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| (Loss)/profit before tax | (26) | (10) | (52) | 134,072 |
| (Loss)/profit after tax | (26) | (10) | (52) | 134,072 |

As at 30 June 2016, the audited consolidated net assets of the Target Group amounted to approximately HK\$171,425,000.

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Guangdong Dahe

Separately presented below is the audited financial information of Guangdong Dahe as extracted from the accountant's report on Guangdong Dahe for the period from 30 September 2013 (date of establishment) to 31 December 2013, for each of the two years ended 31 December 2014 and 2015 and for the six months ended 30 June 2016, which were prepared in accordance with the HKFRS and are set out in Appendix III to this circular:

| | For the period from | | Year ended 31 December | | | | For the six months | |
|-------------------|---------------------|-----------------|------------------------|-----------------|-------------------|-----------------|--------------------|-----------------|
| | 30 September 2013 | | 2014 | | | | ended 30 June 2016 | |
| | (date of | | 2015 | | | | ended 30 June 2016 | |
| | establishment) to | | 2015 | | | | ended 30 June 2016 | |
| | 31 December 2013 | | 2014 | | 2015 | | ended 30 June 2016 | |
| | <i>equivalent</i> | | <i>equivalent</i> | | <i>equivalent</i> | | <i>equivalent</i> | |
| | <i>to</i> | | <i>to</i> | | <i>to</i> | | <i>to</i> | |
| | <i>RMB'000</i> | <i>HK\$'000</i> | <i>RMB'000</i> | <i>HK\$'000</i> | <i>RMB'000</i> | <i>HK\$'000</i> | <i>RMB'000</i> | <i>HK\$'000</i> |
| Profit before tax | 7 | 8 | 121 | 143 | 5,810 | 6,856 | 25,719 | 30,348 |
| Profit after tax | 7 | 8 | 121 | 143 | 5,810 | 6,856 | 25,719 | 30,348 |

Lawsuits relating to the Woodlands

Based on the preliminary due diligence review on the Target Group, there were two lawsuits in relation to the Woodlands of the Target Group:

- (i) the relevant forestry rights of the Woodlands were contracted previously by the respective local village economic cooperatives in Huazhou City to 吳俊松先生 (Mr. Wu Junsong*), who then transferred such rights of the Woodlands to 余兵先生 (Mr. Yu Bing*). Mr. Yu Bing entered into a forestry rights transfer agreement with Guangdong Dahe on 18 October 2013 to transfer such forestry rights to Guangdong Dahe. During the years from 2013 to 2016, Mr. Wu Junsong and his sons, namely 吳維國先生 (Mr. Wu Weiguo*) and 吳維典先生 (Mr. Wu Weidian*), (together, the “**Wu’s Family**”) on one side, and Mr. Yu Bing, on the other side, had disputes over, among other things, the interests in the Woodlands, and had brought a civil action to the court of the PRC in this regard. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Mr. Yu Bing and the Wu’s Family are third parties independent of (i) the Company and its connected persons (as defined under the Listing Rules); and (ii) the Target Group and the Vendor; and
- (ii) in 2014, Mr. Wu Weiguo and Mr. Wu Weidian brought an 行政訴訟 (administrative action*) to 廣東省茂名市中級人民法院 (Intermediate People’s Court of Maoming City Guangdong Province*), which involved, among other things, the forestry rights of the Woodlands.

On 8 October 2016, Mr. Yu Bing, the Wu’s Family and Guangdong Dahe entered into the Settlement Agreement for the full and final settlement of all the lawsuits in respect of the Woodlands as well as all claims arising directly or indirectly in respect of the Woodlands and/

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or the aforementioned lawsuits. Pursuant to the Settlement Agreement, the parties have confirmed, among other things, that (i) there are no further disputes in respect of the Woodlands (including the forestry trees etc. on the Woodlands); (ii) Guangdong Dahe has the legal right to use the Woodlands and to own and use the forestry trees on the Woodlands; (iii) the parties have no disagreements in respect of the complete and exclusive interests of Guangdong Dahe in respect of the Woodlands; and (iv) they shall not make any claim against Guangdong Dahe in respect of the Woodlands.

A 民事調解書 (the “**Mediation Statement**”) and an 行政裁定書 (administrative ruling statement*) both dated 17 October 2016 have been issued by the Intermediate People’s Court of Maoming City, Guangdong Province, the PRC, which respectively acknowledged the settlement of the civil action and accepted the withdrawal of the administrative action mentioned above. Such Mediation Statement and administrative ruling statement became effective on 26 October 2016 and 19 October 2016 respectively.

Pursuant to the Mediation Statement, Guangdong Dahe, Mr. Yu Bing and the Wu’s Family had voluntarily and mutually agreed the terms as follows:

- (i) a one-off settlement in the amount of RMB9,000,000 shall be paid by Mr. Yu Bing to the Wu’s Family to settle all disputes in respect of the Woodlands including but not limited to the aforementioned lawsuits;
- (ii) all claims and counterclaims stated in the civil action in respect of the Woodlands shall be abandoned voluntarily;
- (iii) all other actions in relation to the Woodlands (including but not limited to the aforementioned administrative action) shall be withdrawn by the Wu’s Family within three business days from the effective date of the Mediation Statement; and a 解付通知書 (notice of release*) shall be issued by Mr. Yu Bing to Mr. Wu Weidian (being the representative of the Wu’s Family) within two days from the receipt of the 撤訴裁定書 (withdrawal ruling statement*) from the courts by Mr. Wu Weidian;
- (iv) a receipt of the settlement of RMB9,000,000 shall be issued by the Wu’s family to Mr. Yu Bing; and
- (v) since November 2013, the Target Group has been legally entitled to the forestry rights of the Woodlands and the Wu’s Family no longer had interest in the Woodlands. The Wu’s Family shall clean up and return the properties on certain areas of the Woodlands which have been occupied by other parties within 75 days from the effective date of the Mediation Statement (“**Clean-up and Return Work**”).

The one-off settlement of RMB9,000,000 was paid by Mr. Yu Bing into escrow account on 9 October 2016, and the notice for releasing the settlement monies from the escrow account to the Wu’s family and the receipt of the settlement monies by the Wu’s family had been issued on 28 October 2016.

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Based on the advice of GFE Law Office (廣東恒益律師事務所), the PRC legal adviser of the Company, the Mediation Statement and the administrative ruling statement are valid and legally binding, and that the aforementioned civil action has been finally and conclusively settled and the administrative action has been withdrawn. As at the Latest Practicable Date, actions (i) to (iv) above under the Mediation Statement had been performed, while action (v) above under the Mediation Statement regarding the Clean-up and Return Work is still in progress, which, as advised by GFE Law Office (廣東恒益律師事務所), the PRC legal adviser of the Company, would not affect the effectiveness of the Mediation Statement. The Target Group will closely monitor the progress and barring any unforeseen circumstances, it is expected that the Clean-up and Return Work will be completed as scheduled.

Pursuant to the Acquisition Agreement, the Vendor has undertaken and agreed to indemnify in full for any losses, liabilities, damages, expenses and fees suffered or incurred by the Purchaser, the Company, and/or other members of the Group as a result of or in relation to any claims arising from the abovementioned lawsuits.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target will become an indirect 51%-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Company. Except for the transaction costs of approximately HK\$6,493,000 relating to the Acquisition, there will be no material effect on earnings of the Company associated with the Acquisition.

As set out in the unaudited pro forma financial information on the Enlarged Group in Appendix IV to this circular, had the Acquisition been completed on 30 June 2016, the total assets of the Enlarged Group would have been increased by approximately HK\$284.2 million from approximately HK\$578.6 million as at 30 June 2016 to approximately HK\$862.8 million, and total liabilities of the Enlarged Group would have been increased by approximately HK\$206.8 million from approximately HK\$457.9 million as at 30 June 2016 to approximately HK\$664.7 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the trading of construction machinery and spare parts, leasing of construction machinery, provision of repair and maintenance services for construction machinery, and manufacturing and sales of proprietary Chinese medicines and health products.

The Target Group is principally engaged in the cultivation, research, processing and sale of exocarpium citri grandis in Huazhou City, Guangdong Province, the PRC. Exocarpium citri grandis is a Chinese herbal medicine, the common usage of which includes relieving cough and reducing sputum. It can also be processed into dried fruits or used as an ingredient for health products and drinks. The local government of Huazhou City has been promoting exocarpium citri grandis as a local featured product and has been encouraging its cultivation, processing and market development. The scale of exocarpium citri grandis cultivation business operated by the Target Group is among one of the biggest in Huazhou City. With the Target Group's

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edge in respect of its resources and experience in the cultivation of exocarpium citri grandis which provide a stable source of supply of the exocarpium citri grandis to meet with the growth of market demand, the Directors are of the view that the business of the Target Group has a good potential. The Acquisition represents an opportunity for the Group to enhance the product offering for its Chinese medicines business as well as to broaden its income stream. Meanwhile, the Target Group will benefit from the sharing of the Group's resources in overall management, marketing and distribution network for its business development.

Based on the above and given that the consideration for the Acquisition approximates to the valuation attributable to the 40.8% effective interest in Guangdong Dahe as mentioned in the paragraph headed "Consideration" under the section headed "The Acquisition Agreement" above, the Directors consider that the terms of the Acquisition Agreement (including the consideration) are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to, among other things, the Shareholders' approval requirements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and accordingly no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the resolution(s) in respect of the Acquisition Agreement and the transactions contemplated thereunder. Harbour Luck, being the controlling Shareholder interested in 600,000,000 Shares (representing approximately 62.5% of the issued Shares as at the date of the Acquisition Agreement) has given its written approval for the Acquisition Agreement and the transactions contemplated thereunder and such written approval is accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

As Completion is subject to fulfilment or waiver (as the case may be) of the conditions precedent set out in the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and other investors are advised to exercise caution when dealing in the Shares.

ADDITIONAL INFORMATION

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

Yours faithfully
By the order of the Board
Eagle Legend Asia Limited
Zeng Li
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.elasialtd.com):

- (i) annual report of the Company for the year ended 31 December 2013 published on 10 April 2014 (pages 30 to 100);
- (ii) annual report of the Company for the year ended 31 December 2014 published on 16 April 2015 (pages 29 to 96);
- (iii) annual report of the Company for the year ended 31 December 2015 published on 7 April 2016 (pages 29 to 86); and
- (iv) interim report of the Company for the six months ended 30 June 2016 published on 8 September 2016 (pages 3 to 22).

2. INDEBTEDNESS STATEMENT

As at 31 October 2016, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had outstanding borrowings of approximately HK\$267,219,000, details of which are set out as follows:

| | <i>HK\$'000</i> |
|----------------------------------|-----------------------|
| Bank borrowings — secured | 61,090 |
| Bonds payable — secured | 100,000 |
| Finance lease payables — secured | 100,112 |
| Other loans payables — unsecured | <u>6,017</u> |
| Total | <u><u>267,219</u></u> |

As at 31 October 2016, the Enlarged Group had a loan facility of HK\$175.0 million bearing interest at the rate of 12% per annum (the “Facility”) obtained from an independent third party (the “Lender”), and the Enlarged Group has not utilised the Facility. Drawdown under the Facility (the “Loan”) may be made at any time from 21 March 2016 to 31 December 2016 upon request of the Company, subject to the fulfillment (or waiver from the Lender at its absolute discretion) of certain conditions precedent. The Loan, if drawn, will be due for repayment on 30 April 2017, or such other date as agreed in writing between the Company and the Lender. The Loan is secured by the debenture incorporating fixed and floating charge over the undertaking, property and assets of the Company made by the Company in favour of the Lender.

As at 31 October 2016, the Enlarged Group's bank borrowings were secured by the assets of the Enlarged Group, including buildings carried at cost and payments for leasehold land held for own use under operating lease and corporate guarantees executed by the Company and certain subsidiaries. The bonds were secured by the equity interest of certain subsidiaries of the Enlarged Group. The finance lease payables of the Enlarged Group were secured by land and building carried at fair value and corporate guarantees by the Company and certain subsidiaries.

As at 31 October 2016, there were two lawsuits in relation to the Woodlands of the Enlarged Group, details of which are referred to in the paragraph headed "Lawsuits relating to the Woodlands" under the section headed "Information on the Target Group" contained in the letter from the Board in this circular.

Save as aforementioned or as otherwise disclosed herein, and apart from intra-group liabilities within the Enlarged Group and normal trade business, at the close of business on 31 October 2016, the Enlarged Group did not have any other outstanding borrowings, loan capital issued and outstanding or agreed to be issued, bank overdrafts, debt securities, term loans, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

For the purpose of this statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the exchange rates prevailing as at the close of business on 31 October 2016.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Enlarged Group including internal resources available and available banking facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in trading of construction machinery and spare parts, leasing of the construction machinery, providing repair and maintenance services in respect of the construction machinery, manufacturing and sales of proprietary Chinese medicines and health products. As disclosed in the Company's 2015 annual report and 2016 interim report, the Group's construction equipment business faced severe competition, which affected the income from the trading and leasing of the construction machinery. The Group will continue to review and strength its tower crane fleet portfolio to meet the current market demand. On the other hand, the drop of profit margin in the sale of proprietary Chinese medicine and health products in the PRC also affected the financial position of the Group. The Group will continue to exercise its best efforts in formulating appropriate strategy so as to strengthen and support its existing businesses.

As mentioned in the section headed “Reasons for and benefits of the Acquisition” in the letter from the Board contained in this circular, the Directors believe the Acquisition can broaden the income stream of the Group. Through utilising and sharing the Group’s resources in overall management, marketing and distribution network, the Group will expand the cultivation business of the Target Group with the aim to further enhancing the Enlarged Group’s revenue stream and profitability. The Group intends to enhance the research and development of products using *exocarpium citri grandis* so as to expand the product portfolio and the Target Group will also apply for patents and authentication certificates for the Target Group’s products which will enhance the credibility and popularity of its products among other competitors.

Looking ahead, the Group will continue to seek for opportunities for diversification in its business that will benefit the Group’s long-term development and maximize the returns to the Shareholders.

1. ACCOUNTANTS' REPORT

The following is the text of a report received from BDO Limited, the independent reporting accountants, regarding the financial information of the Target Group for each of the three years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016 prepared for the purpose of incorporation in this circular.



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21 December 2016

The Directors
Eagle Legend Asia Limited

Room 3607, 36/F
China Resources Building
26 Harbour Road
Wan Chai, Hong Kong

Dear Sirs

We set out below our report on the financial information of Best Earnest Investments Limited (the “Target Company”) and its subsidiaries (together with the Target Company, collectively the “Target Group”) which comprises the consolidated statements of financial position of the Target Group as at 31 December 2013, 2014 and 2015 and 30 June 2016, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016 (the “Relevant Periods”) and the statements of financial position of the Target Company as at 31 December 2013, 2014 and 2015 and 30 June 2016, together with a summary of significant accounting policies and other explanatory notes (the “Financial Information”), together with the comparative financial information of the Target Group including the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2015 (the “Comparative Financial Information”), for inclusion in the circular (the “Circular”) dated 21 December 2016 issued by Eagle Legend Asia Limited (the “Company”) in connection with its proposed acquisition of 51% of the equity interest in the Target Company.

The Target Company was incorporated in the British Virgin Islands (the “BVI”) on 26 October 2012 as a limited liability company. The principal activity of the Target Company is investment holding. As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 31 of section II below.

The Target Company has a financial year end date of 31 December. No statutory audited financial statements have been prepared by the Target Company for the years ended 31 December 2013, 2014 and 2015, as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

DIRECTOR'S RESPONSIBILITY

For the purpose of this report, the director of the Target Company has prepared the consolidated financial statements of the Target Group for the Relevant Periods (the "Underlying Financial Information") in accordance with the basis of preparation set out in note 2 of section II and the accounting policies set out in note 4 of section II which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Financial Information has been prepared by the director of the Target Company based on the Underlying Financial Information with no adjustment made thereon.

The director of the Target Company is responsible for the preparation of the Financial Information in accordance with the basis of preparation set out in note 2 of section II and the accounting policies set out in note 4 of section II, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the director of the Target Company determines is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

The director of the Target Company is also responsible for the preparation of the Comparative Financial Information in accordance with the same basis adopted in respect of the Financial Information.

The directors of the Company are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and a review conclusion on the Comparative Financial Information, respectively, based on our procedures and to report our opinion and review conclusion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Target Group, and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have also reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Comparative Financial Information. 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 on the Comparative Financial Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2 of section II below, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2013, 2014 and 2015 and 30 June 2016 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE COMPARATIVE FINANCIAL INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

EMPHASIS OF MATTER

We draw attention to note 35 of section II to the Financial Information which describes matters related to the outcome of the lawsuits. Our opinion is not qualified in respect of this matter.

| | |
|--------------------|--|
| APPENDIX II | FINANCIAL INFORMATION OF THE TARGET GROUP |
|--------------------|--|

I. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

| | | Year ended 31 December | | | Six months ended 30 June | |
|---|-------|-------------------------|-------------------------|-------------------------|--|-------------------------|
| | Notes | 2013 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> | 2015 <i>HK\$'000</i> (Unaudited) | 2016 <i>HK\$'000</i> |
| Revenue | 7 | — | — | — | — | 32,657 |
| Cost of sales | | — | — | — | — | (13,661) |
| Gross profit | | — | — | — | — | 18,996 |
| Gain arising from changes in fair value less costs to sell of biological assets | 14 | — | — | — | — | 24,422 |
| Other income and gains | 8 | — | — | — | — | 109,593 |
| Selling expenses | | — | — | — | — | (159) |
| Administrative expenses | | (26) | (10) | (52) | (3) | (1,904) |
| Other operating expenses | | — | — | — | — | (16,876) |
| (Loss)/profit before income tax | 9 | (26) | (10) | (52) | (3) | 134,072 |
| Income tax expense | 10 | — | — | — | — | — |
| (Loss)/profit for the year/period | | (26) | (10) | (52) | (3) | 134,072 |
| Other comprehensive income | | | | | | |
| Item that may be reclassified subsequently to profit or loss: | | | | | | |
| Exchange differences on translating foreign operation | | — | — | — | — | (1,536) |
| Total comprehensive income for the year/period | | (26) | (10) | (52) | (3) | 132,536 |
| (Loss)/profit attributable to: | | | | | | |
| Owner of the Target Company | | (26) | (10) | (52) | (3) | 129,385 |
| Non-controlling interests | | — | — | — | — | 4,687 |
| | | (26) | (10) | (52) | (3) | 134,072 |
| Total comprehensive income attributable to: | | | | | | |
| Owner of the Target Company | | (26) | (10) | (52) | (3) | 128,156 |
| Non-controlling interests | | — | — | — | — | 4,380 |
| | | (26) | (10) | (52) | (3) | 132,536 |

Consolidated Statements of Financial Position

| | Notes | As at 31 December | | | As at |
|---|-------|-------------------|------------------|------------------|-----------------------------|
| | | 2013 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 30 June 2016 HK\$'000 |
| ASSETS AND LIABILITIES | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 13 | — | — | — | 202,114 |
| Prepayment | 17 | — | — | — | 2,124 |
| | | — | — | — | 204,238 |
| Current assets | | | | | |
| Biological assets | 14 | — | — | — | 5,659 |
| Inventories and consumables | 15 | — | — | — | 15,976 |
| Trade receivables | 16 | — | — | — | 20,395 |
| Prepayments and other receivables | 17 | — | — | — | 3,453 |
| Amount due from a related party | 21 | 19 | 19 | 19 | 19 |
| Cash and cash equivalents | 18 | 5 | 5 | 12,506 | 31,054 |
| | | 24 | 24 | 12,525 | 76,556 |
| Current liabilities | | | | | |
| Trade payables | 19 | — | — | — | 11,678 |
| Receipt in advance, accruals and other payables | 20 | — | — | — | 7,209 |
| Amounts due to related parties | 21 | 48 | 58 | 12,611 | 50,854 |
| Other loans payables | 23 | — | — | — | 14,228 |
| Deferred government grants | 24 | — | — | — | 1,138 |
| | | 48 | 58 | 12,611 | 85,107 |
| Net current liabilities | | (24) | (34) | (86) | (8,551) |
| Total assets less current liabilities | | (24) | (34) | (86) | 195,687 |
| Non-current liabilities | | | | | |
| Loans payables from a related party | 22 | — | — | — | 10,361 |
| Other loans payables | 23 | — | — | — | 3,658 |
| Deferred government grants | 24 | — | — | — | 10,243 |
| | | — | — | — | 24,262 |
| Net (liabilities)/assets | | (24) | (34) | (86) | 171,425 |
| EQUITY | | | | | |
| Share capital | 25 | 2 | 2 | 2 | 2 |
| Reserves | | (26) | (36) | (88) | 128,068 |
| Equity attributable to owner of the Target Company | | (24) | (34) | (86) | 128,070 |
| Non-controlling interests | 32 | — | — | — | 43,355 |
| (Capital deficiency)/total equity | | (24) | (34) | (86) | 171,425 |

| | |
|--------------------|--|
| APPENDIX II | FINANCIAL INFORMATION OF THE TARGET GROUP |
|--------------------|--|

Statements of Financial Position

| | | As at 31 December | | | As at |
|--|--------------|-------------------|-----------------|-----------------|-----------------|
| | <i>Notes</i> | 2013 | 2014 | 2015 | 30 June |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| ASSETS AND LIABILITIES | | | | | |
| Non-current asset | | | | | |
| Investments in subsidiaries | 31 | — | — | — | — |
| | | — | — | — | — |
| Current assets | | | | | |
| Amount due from a related party | 21 | 19 | 19 | 19 | 19 |
| Cash and cash equivalents | 18 | 5 | 5 | 5 | 7 |
| | | 24 | 24 | 24 | 26 |
| Current liability | | | | | |
| Amount due to a related party | 21 | 48 | 58 | 69 | 71 |
| | | 48 | 58 | 69 | 71 |
| Net current liabilities and net liabilities | | (24) | (34) | (45) | (45) |
| EQUITY | | | | | |
| Share capital | 25 | 2 | 2 | 2 | 2 |
| Reserves | 26 | (26) | (36) | (47) | (47) |
| Capital deficiency | | (24) | (34) | (45) | (45) |

Consolidated Statements of Changes in Equity

| | Share capital HK\$'000 | Statutory reserve HK\$'000 Note 26 | Translation reserve HK\$'000 Note 26 | (Accumulated losses)/retained earnings HK\$'000 | Equity attributable to the owner of the Target Company HK\$'000 | Non-controlling interests HK\$'000 | Total HK\$'000 |
|---|---------------------------|---|---|--|--|--|-------------------|
| At 1 January 2013 | 2 | — | — | — | 2 | — | 2 |
| Loss for the year and total comprehensive income for the year | — | — | — | (26) | (26) | — | (26) |
| At 31 December 2013 and 1 January 2014 | 2 | — | — | (26) | (24) | — | (24) |
| Loss for the year and total comprehensive income for the year | — | — | — | (10) | (10) | — | (10) |
| At 31 December 2014 and 1 January 2015 | 2 | — | — | (36) | (34) | — | (34) |
| Loss for the year and total comprehensive income for the year | — | — | — | (52) | (52) | — | (52) |
| At 31 December 2015 and 1 January 2016 | 2 | — | — | (88) | (86) | — | (86) |
| Profit for the period | — | — | — | 129,385 | 129,385 | 4,687 | 134,072 |
| Other comprehensive income | — | — | (1,229) | — | (1,229) | (307) | (1,536) |
| Total comprehensive income for the period | — | — | (1,229) | 129,385 | 128,156 | 4,380 | 132,536 |
| Arising from acquisition of a subsidiary (Note 33) | — | — | — | — | — | 38,975 | 38,975 |
| Transfer to statutory reserve | — | 2,605 | — | (2,605) | — | — | — |
| At 30 June 2016 | 2 | 2,605 | (1,229) | 126,692 | 128,070 | 43,355 | 171,425 |
| Six months ended 30 June 2015 (unaudited) | | | | | | | |
| At 1 January 2015 | 2 | — | — | (36) | (34) | — | (34) |
| Loss for the period and total comprehensive income for the period | — | — | — | (3) | (3) | — | (3) |
| At 30 June 2015 (unaudited) | 2 | — | — | (39) | (37) | — | (37) |

Consolidated Statements of Cash Flows

| | Notes | Year ended 31 December | | | Six months ended 30 June | |
|---|-------|------------------------|------------------|------------------|---------------------------------|------------------|
| | | 2013 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2015 HK\$'000 (Unaudited) | 2016 HK\$'000 |
| Cash flows from operating activities | | | | | | |
| (Loss)/profit before income tax | | (26) | (10) | (52) | (3) | 134,072 |
| Adjustments for: | | | | | | |
| Bank interest income | 8 | — | — | — | — | (37) |
| Depreciation of property, plant and equipment | 9 | — | — | — | — | 5,096 |
| Written off of bearer plants | 9 | — | — | — | — | 6 |
| Gain on a bargain purchase on acquisition of a subsidiary | 8 | — | — | — | — | (108,324) |
| Gain arising from changes in fair value less costs to sell of biological assets | 14 | — | — | — | — | (24,422) |
| Operating (loss)/profit before working capital changes | | (26) | (10) | (52) | (3) | 6,391 |
| Increase in biological assets | | — | — | — | — | (2,887) |
| Decrease in inventories and consumables | | — | — | — | — | 10,348 |
| Increase in trade receivables | | — | — | — | — | (7,650) |
| Increase in prepayments and other receivables | | — | — | — | — | (4,081) |
| Increase in trade payables | | — | — | — | — | 4,670 |
| Increase in receipt in advance, accruals and other payables | | — | — | — | — | 1,403 |
| Cash (used in)/generated from operations | | (26) | (10) | (52) | (3) | 8,194 |
| Income tax paid | | — | — | — | — | — |
| <i>Net cash (used in)/from operating activities</i> | | (26) | (10) | (52) | (3) | 8,194 |

APPENDIX II
FINANCIAL INFORMATION OF THE TARGET GROUP

| | Notes | Year ended 31 December | | | Six months ended 30 June | |
|--|-------|------------------------|------------------|------------------|--------------------------|------------------|
| | | 2013 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 |
| (Unaudited) | | | | | | |
| Cash flows from investing activities | | | | | | |
| Acquisition of a subsidiary, net of cash acquired | 33 | — | — | — | — | 629 |
| Interest received | | — | — | — | — | 37 |
| Purchases of property, plant and equipment | 34 | — | — | — | — | (8,423) |
| Payments for bearer plants | | — | — | — | — | (11,473) |
| <i>Net cash used in investing activities</i> | | — | — | — | — | (19,230) |
| Cash flows from financing activities | | | | | | |
| Proceeds from issue of shares | | 2 | — | — | — | — |
| Increase in amount due from a related party | | (19) | — | — | — | — |
| Increase in amounts due to related parties | | 48 | 10 | 12,553 | 3 | 37,733 |
| Decrease in amount due from non-controlling interest | | — | — | — | — | 20 |
| Proceeds from other loans payables | | — | — | — | — | 2,950 |
| Repayments of other loans payables | | — | — | — | — | (4,838) |
| Repayments of loans payables from related parties | | — | — | — | — | (5,900) |
| <i>Net cash from financing activities</i> | | 31 | 10 | 12,553 | 3 | 29,965 |
| Net increase in cash and cash equivalents | | 5 | — | 12,501 | — | 18,929 |
| Cash and cash equivalents at beginning of year/period | | — | 5 | 5 | 5 | 12,506 |
| Effect of exchange rates changes on cash and cash equivalents | | — | — | — | — | (381) |
| Cash and cash equivalents at end of year/period | | <u>5</u> | <u>5</u> | <u>12,506</u> | <u>5</u> | <u>31,054</u> |

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Target Company was established in the British Virgin Islands (the “BVI”) on 26 October 2012 with limited liability. Its registered office is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The principal activity of the Target Company is investment holding. The Target Group is principally engaged in the cultivation, research, processing and sales of exocarpium citri grandis and its seedlings in the PRC.

The principal activity of the Target Group is based in a subsidiary operating in the PRC, of which 80% of its equity interest was acquired in January 2016. Details of the business combination have been set out in note 33 to the Financial Information.

Particulars of the companies now comprising the Target Group have been set out in note 31 to the Financial Information below.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information on page II-4 to II-47 have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the Financial Information includes applicable disclosures required by the Listing Rules.

The HKICPA has issued a number of new and revised HKFRS. For the purpose of preparing this Financial Information, Target Group has adopted all applicable new and revised HKFRS to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2016.

(b) Basis of measurement and going concern assumption

The Target Company has not carried out any business since the date of its incorporation, except for a share transfer transaction as below mentioned.

Mr. He Xiaoyang, the controlling shareholder of the Target Company, has transferred his entire interest in Vast Bloom Investment Limited (“Vast Bloom”) to the Target Company on 4 March 2016 (the “Share Transfer”). The Target Company became the holding company of the companies now comprising the Target Group by way of Share Transfer. The Share Transfer has no substance and do not form a business combination, and accordingly, the Financial Information of the Target Company was combined with that of Vast Bloom using the predecessor carrying amounts. Other than that, the acquisition of Guangdong Dahe Biological Technologies Limited (“Guangdong Dahe”) by Vast Bloom in January 2016 is accounted for using the acquisition method.

The Financial Information has been prepared under the historical cost basis except for biological assets excluding bearer plants, which are measured at fair values as explained in the accounting policies set out below.

At 30 June 2016, the current liabilities of the Target Group exceeded its current assets by approximately HK\$8,551,000. The director of the Target Company considers that the Target Group would be able to meet its financial obligations as they fall due for twelve months from 30 June 2016, on the basis that a waiver has been obtained from the director to waive the amount due of approximately HK\$48,610,000 by the Target Group on 1 October 2016.

During the Relevant Periods, two litigations were in negotiations in relation to Target Group's relevant forestry rights upon six parcels of woodlands with total area of 2,151.36 mu (the "Woodlands"), of which Target Group is principally engaged in its cultivation, research, processing and sales of *exocarpium citri grandis* and its seedlings in the Woodlands. The above matters and conditions are in relation to the continuous usage of the Woodlands and ownership of assets in the Woodlands for its business operation in the Relevant Periods.

Subsequent to the Relevant Periods on 8 October 2016, the Relevant Counterparties (as below-mentioned in note 35) have entered into a settlement agreement (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the Target Group has the legal right to use the Woodlands and to own and use the forestry trees on the Woodlands, the Relevant Counterparties have no disagreements in respect of the complete and exclusive interests in the Target Group and they shall not make any claim against the Target Group in respect of the Woodlands. Based on the advice of the Company's PRC legal adviser, the Settlement Agreement is valid and legally binding, and the relevant litigations as included in the Settlement Agreement have been finally and conclusively settled. Details have been disclosed in note 35 to the Financial Information.

(c) Functional and presentation currency

The Financial Information is presented in Hong Kong Dollars ("HK\$"), which is the same as the functional currency of the Target Company.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRS

The following new/revised HKFRS, potentially relevant to the Financial Information, have been issued, but are not yet effective and have not been early adopted by the Target Group.

| | |
|-----------------------|--|
| Amendments to HKAS 7 | Statement of Cash Flows ¹ |
| Amendments to HKAS 12 | Income Taxes ¹ |
| HKFRS 9 (2014) | Financial Instruments ² |
| HKFRS 15 | Revenue from Contracts with Customers ² |
| HKFRS 16 | Lease ³ |

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in the Financial Information.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Target Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Target Group. The Target Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Target Group's accounting policies and financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES**(a) Business combination and basis of consolidation**

The Financial Information comprises the financial statements of the Target Company and its subsidiaries for the Relevant Periods. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Target Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Target Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Target Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Target Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Target Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Target Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Target Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Target Company.

When the Target Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Target Company is able to exercise control. The Target Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

In the Target Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Target Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment, other than bearer plants and construction in progress, are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

| | |
|--|------------|
| Plant and machinery | 5–10 years |
| Furniture, office equipment and motor vehicles | 3–5 years |
| Bearer plants | 15 years |

A bearer plant is a living plant that:

- (i) is used in the production or supply of agricultural produce;
- (ii) is expected to bear produce for more than one period; and
- (iii) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants of the Target Group comprise fruit trees of *exocarpium citri grandis* ("Fruit Trees") in the Woodlands, of which the Forestry Rights Certificates have been issued to the Target Group for the purpose *exocarpium citri grandis* involved in the agricultural activities of the biological transformation of the plantation of bearer plants for production of agricultural produce for sale or further processing.

Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by the management.

Construction in progress is stated at cost less impairment losses. Construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(d) Biological assets

A biological asset is a living animal or plant managed by an enterprise which is involved in the agricultural activity of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. The biological assets of the Target Group relate to the following:

- (i) Consumable biological assets — Exocarpium citri grandis growing on bearer plants (“Growing Produce”) and seedlings of exocarpium citri grandis (“Seedlings”)
- (ii) Agricultural produce — Harvested exocarpium citri grandis (“Fresh Fruits”)

The consumable biological assets relate to Growing Produce and Seedlings, which are current assets, because they can be sold at anytime not depending on the age. Growing Produce and Seedlings are stated at fair value less estimated costs to sell. A gain or loss arising on initial recognition of biological assets at fair value less costs to sell and from a change in fair values less costs to sell is recognised in the profit or loss.

Agricultural produce harvested from bearer plants is measured at their fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying HKAS 2 Inventories. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

(e) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

The Target Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(f) Financial Instruments

(i) Financial assets

The Target Group classifies its financial assets at initial recognition, depending on the purpose for which the assets were acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) *Impairment loss on financial assets*

The Target Group assesses, at the end of reporting periods, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) *Financial liabilities*

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals, other payables, amounts due to related parties, other loans payables and loans payables from a related party are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

Equity instruments issued by the Target Group are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Target Group derecognises a financial asset when the contractual right to the future cash flows in relation to the financial asset expires or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

Where the Target Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(g) Inventories and consumables

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Consumables for own consumption are stated at cost. Cost is determined using the weighted average method.

(h) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand.

(i) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods. Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- (i) Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Target Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods and customer has accepted the goods.
- (ii) Interest income is recognised on a time-proportion basis using the effective interest method.

(j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor

taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(k) Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The employees are required to participate in central pension scheme operated by the local municipal governments. The Target Company is required to contribute certain percentage of its payroll costs to the central pension schemes in the PRC.

Contributions are recognised as an expense in profit or loss as employees render services during the year.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(l) Impairment of non-financial assets (other than financial assets)

At the end of reporting periods, the Target Group reviews the carrying amount of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(m) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Target Group will comply with the conditions attaching to them. Grants that compensate the Target Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Target Group for the cost of an asset are deferred and recognised in profit or loss over the useful life of the asset.

(n) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(p) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the Financial Information provided regularly to the Target Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to sell the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Target Group manages its business mainly in a single segment, namely sales of *exocarpium citri grandis* and its seedlings. Accordingly, no operating segment information is presented.

The Target Group operates its business and maintains its assets in the PRC, therefore all of the Target Group's revenue and other income are from the PRC and all of the Target Group's non-current assets are located in the PRC. Accordingly, no geographic segment information is presented.

(q) Related parties

- (a) A person or a close member of that person's family is related to the Target Group if that person:
 - (i) has control or joint control over the Target Group;
 - (ii) has significant influence over the Target Group; or

- (iii) is a member of key management personnel of the Target Group or the Target Company's parent.
- (b) An entity is related to the Target Group if any of the following conditions apply:
 - (i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Group or an entity related to the Target Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of the Target Group of which it is a part, provides key management personnel services to the Target Group or to the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Target Group's accounting policies, the director of Target Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Useful life of property, plant and equipment

The Target Group determines the estimated useful lives and related depreciation charges for the Target Group's property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Target Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

(b) Fair value measurement

Certain assets included in the Financial Information require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Target Group's non-financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Target Group measures biological assets except for bearer plants at fair value.

For more detailed information in relation to the fair value measurement of the item above, please refer to the applicable notes.

(c) Impairment loss for non-financial assets

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of reporting periods. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating units and choose a suitable discount rate in order to calculate the present value to those cash flows.

6. SEGMENT INFORMATION

The Target Group determines its operating segments based on the reports reviewed by the Target Group's executive director of the Target Company that are used to make strategic decisions. During the Relevant Periods, the Target Group principally operates in one operating segment.

The Target Group's customer base is diversified and includes only the following customers with whom transactions exceeded 10% of the Target Group's revenue. During the Relevant Periods, revenue derived from these customers is as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|------------|------------------------|-----------------|-----------------|-----------------------------|-----------------|
| | 2013 | 2014 | 2015 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | | | (Unaudited) | |
| Customer A | N/A | N/A | N/A | N/A | 6,419 |
| Customer B | N/A | N/A | N/A | N/A | 13,641 |
| Customer C | N/A | N/A | N/A | N/A | 4,738 |

7. REVENUE

The Target Group is principally engaged in cultivation, research, processing and sales of *exocarpium citri grandis* and its seedlings in the PRC.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Revenue from the Target Group's principal activities during the Relevant Periods is as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|--|------------------------|------------------|------------------|-----------------------------|------------------|
| | 2013 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 |
| Sales of Seedlings | — | — | — | — | 5,813 |
| Sales of dried exocarpium citri grandis ("Dried Fruits") | — | — | — | — | 26,844 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>32,657</u> |

8. OTHER INCOME AND GAINS

| | Year ended 31 December | | | Six months ended 30 June | |
|--|------------------------|------------------|------------------|-----------------------------|------------------|
| | 2013 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 |
| Bank interest income | — | — | — | — | 37 |
| Exchange gain | — | — | — | — | 52 |
| Gain on a bargain purchase on acquisition of a subsidiary (Note 33) | — | — | — | — | 108,324 |
| Others (Note) | — | — | — | — | 1,180 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>109,593</u> |

Note: Others comprised gain on disposal of scraps.

9. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging:

| | Year ended 31 December | | | Six months ended 30 June | |
|--|------------------------|------------------|------------------|-----------------------------|------------------|
| | 2013 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 |
| Auditors' remuneration | — | — | — | — | 18 |
| Cost of inventories recognised as expense | — | — | — | — | 13,661 |
| Depreciation of property, plant and equipment (Note) | — | — | — | — | 5,096 |
| Plantation cost of mature bearer plants (Note) | — | — | — | — | 11,780 |
| Written off of bearer plants | — | — | — | — | 6 |
| Operating lease charges in respect of the Woodlands | — | — | — | — | 26 |
| Employee costs (including directors' remunerations (Note 12)): | | | | | |
| — Salaries, wages and other benefits | — | — | — | — | 2,234 |
| — Contributions to defined contribution plans | — | — | — | — | 173 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>173</u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Note: Depreciation of property, plant and equipment and plantation cost of mature bearer plants are included in other operating expenses.

10. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the BVI, the Target Group is not subjected to any taxation under the jurisdiction of the BVI.

Hong Kong profits tax has not been provided as the Target Group has no assessable profits arising in Hong Kong during the Relevant Periods.

No PRC enterprise income tax has been provided as the Target Group did not have assessable profits in the PRC during the Relevant Periods. The provision for PRC enterprise income tax for is based on the respective applicable rates on the estimated assessable income of the PRC subsidiary of the Target Group as determined in accordance with the relevant income tax laws, rules and regulations of the PRC. According to the PRC tax law, its rules and regulations, enterprises that engage in certain qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption on profits derived from such business. The operating subsidiary of the Target Group located in the PRC engaged in qualifying agricultural business is entitled to full exemption of enterprise income tax.

The income tax expense for the Relevant Periods can be reconciled to the (loss)/profit before income tax per the consolidated statements of comprehensive income as follows:

| | Year ended 31 December | | | Six months ended | |
|--|------------------------|-----------------|-----------------|------------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | | | (Unaudited) | |
| (Loss)/profit before income tax | <u>(26)</u> | <u>(10)</u> | <u>(52)</u> | <u>(3)</u> | <u>134,072</u> |
| Tax calculated at the domestic tax rate of 16.5% | (4) | (2) | (9) | (1) | 22,122 |
| Tax effect of different tax rate of subsidiary operating in other jurisdiction | — | — | — | — | 2,580 |
| Tax effect of non-deductible items | 2 | — | 6 | 1 | 759 |
| Tax effect of non-taxable income | — | — | — | — | (17,874) |
| Tax effect of tax losses not recognised | 2 | 2 | 3 | — | — |
| Effect of tax exemption granted to PRC subsidiary | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(7,587)</u> |
| Income tax expense | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |

PRC withholding income tax

Under the PRC tax law, profit of the PRC subsidiary of the Target Group derived since 1 January 2008 is subject to withholding income tax at rates of 5% or 10% upon the distribution of such profits to foreign investors or companies incorporated in Hong Kong, or for other foreign investors, respectively. Pursuant to the grandfathering arrangements of the PRC tax law, dividends receivable by the Target Group from its PRC subsidiary in respect of the undistributed profits derived prior to 31 December 2007 are exempt from the withholding income tax. During the Relevant Periods, no deferred tax liabilities have been recognised in respect of the tax that would be payable on the unremitted profits of the PRC subsidiary derived as the Target Company is in a position to control the dividend policies of the PRC subsidiary and no distribution of such profits is expected to be declared from the PRC subsidiary in the foreseeable future.

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| APPENDIX II | FINANCIAL INFORMATION OF THE TARGET GROUP |
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11. DIVIDENDS

No dividend has been paid or declared by the Target Company during the Relevant Periods.

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' remunerations

None of the directors received any fee or emoluments in respect of their services rendered to the Target Company for the Relevant Periods.

There is no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Target Group to the directors as an inducement to join or upon joining the Target Group, or as compensation for loss of office.

(b) Five highest paid individuals

The five highest paid individuals in the Target Group for the Relevant Periods include none of the directors for all the Relevant Periods. Details of whose emoluments have been disclosed in note (a) above.

The emoluments of the individuals during the Relevant Periods were as follows:

| | Year ended 31 December | | | Six months ended | |
|-------------------------------|------------------------|-----------------|-----------------|------------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | | | (Unaudited) | |
| Salaries and other emoluments | — | — | — | — | 115 |
| Defined contribution plans | — | — | — | — | 12 |
| | — | — | — | — | 127 |

The emoluments of non-director highest paid individuals fell within the following band:

| | Year ended 31 December | | | Six months ended 30 June | |
|--------------------|------------------------|------|------|--------------------------|------|
| | 2013 | 2014 | 2015 | 2015 | 2016 |
| | (Unaudited) | | | | |
| Nil to HK\$500,000 | — | — | — | — | 5 |
| | — | — | — | — | 5 |

13. PROPERTY, PLANT AND EQUIPMENT

| | Plant and equipment HK\$'000 | Furniture and office equipment HK\$'000 | Motor vehicles HK\$'000 | Bearer plants HK\$'000 | Construction in progress HK\$'000 | Total HK\$'000 |
|---|------------------------------------|--|-------------------------------|---------------------------|---|-------------------|
| At 1 January 2013, 31 December 2013, 2014, 2015 and 1 January 2016 | | | | | | |
| Cost | — | — | — | — | — | — |
| Accumulated depreciation | — | — | — | — | — | — |
| Net carrying amount | — | — | — | — | — | — |
| Six months ended 30 June 2016 | | | | | | |
| Opening net carrying amount | — | — | — | — | — | — |
| Acquired through business combination (Note 33) | 1,885 | 1 | 335 | 170,217 | 5,446 | 177,884 |
| Additions | 11,845 | 39 | — | 11,473 | 7,377 | 30,734 |
| Transfer | 2,850 | — | — | — | (2,850) | — |
| Depreciation | (95) | (3) | (35) | (4,963) | — | (5,096) |
| Written off | — | — | — | (6) | — | (6) |
| Exchange differences | (15) | — | (3) | (1,341) | (43) | (1,402) |
| Closing net carrying amount | 16,470 | 37 | 297 | 175,380 | 9,930 | 202,114 |
| At 30 June 2016 | | | | | | |
| Cost | 16,566 | 42 | 351 | 180,692 | 9,930 | 207,581 |
| Accumulated depreciation | (96) | (5) | (54) | (5,312) | — | (5,467) |
| Net carrying amount | 16,470 | 37 | 297 | 175,380 | 9,930 | 202,114 |

Bearer plants represent Fruit Trees on the Woodlands located in Huazhou City in the PRC, of which the Forestry Rights Certificates have been issued to the Target Group for the purpose of plantation of *exocarpium citri grandis*. The Target Group has entered into agreements with relevant local village economic cooperatives and obtained Forestry Rights Certificates in respect of five parcels of woodlands with a total area of 2,035.36 mu, which entitle the Target Group to use these woodlands until 1 October 2034. The ownerships of these woodlands are held respectively by five local village economic cooperatives in Huazhou City. Pursuant to an agreement dated 12 December 2013 entered into by the Target Group and another local village economic cooperative, being the owner of the sixth parcel of woodland with an area of 116 mu, the Target Group has been contracted the rights to use such woodland and the rights to own and use the forestry trees on such woodland for the period from 1 October 2013 to 1 December 2034.

The Target Group is in process of obtaining the Forestry Rights Certificate for the sixth parcel of woodland. In the opinion of the director of the Target Company, there is no legal impediment for the Target Group to obtain the aforesaid Forestry Rights Certificate as confirmed by the PRC legal advisor.

For six months ended 30 June 2016, the Target Group had written off bearer plants of approximately HK\$6,000 due to the normal loss.

The Target Group is exposed to a number of risks related to Fruits Trees plantation. Details have been disclosed in note 14 to the Financial Information.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

14. BIOLOGICAL ASSETS

Biological assets represent Seedlings, Growing Produce and Fresh Fruits.

Biological assets are analysed as follows:

| | Growing Produce <i>HK\$'000</i> | Fresh Fruits <i>HK\$'000</i> | Seedlings <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--|-------------------------------------|-----------------------------------|
| At 1 January 2013, 31 December 2013, 31 December 2014, 31 December 2015 and 1 January 2016 | — | — | — | — |
| Acquired through business combination (<i>Note 33</i>) | — | — | 2,794 | 2,794 |
| Net additions | — | 11,071 | 5,445 | 16,516 |
| Gain arising from changes in fair value less costs to sell* | 11,779 | 12,643 | — | 24,422 |
| Decrease due to harvest | (11,071) | — | — | (11,071) |
| Transfer to inventories | — | (23,714) | — | (23,714) |
| Decrease due to sales | — | — | (3,266) | (3,266) |
| Exchange differences | — | — | (22) | (22) |
| At 30 June 2016 | <u>708</u> | <u>—</u> | <u>4,951</u> | <u>5,659</u> |
| | 2013 | 2014 | 2015 | As at 30 June 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| * Included gain from change in fair value less costs to sell for assets held at the end of the reporting period | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,394</u> |

The quantities of biological assets at the end of reporting periods are as follows:

| | 2013 | 2014 | 2015 | As at 30 June 2016 |
|-------------------------------|-------------|-------------|-------------|-----------------------------------|
| Growing Produce (by quantity) | — | — | — | 93,536 |
| Seedlings (by quantity) | <u>—</u> | <u>—</u> | <u>—</u> | <u>375,677</u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

The values of agricultural produce harvested measured at fair value less costs to sell during the Relevant Periods are as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|------------------------|-----------------|-----------------|-----------------------------|-----------------|
| | 2013 | 2014 | 2015 | 2015 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Estimated fair value less costs to sell | | | | (Unaudited) | |
| Fresh Fruits | — | — | — | — | 23,714 |
| Estimated quantity (kg) | | | | | |
| Fresh Fruits | — | — | — | — | 365,391 |

The change in fair value of agricultural produce less costs to sell recognised in the statement of profit or loss represents the difference between the estimated fair value less costs to sell and costs incurred for plantation of agricultural produce.

Greater China Appraisal Limited, an independent valuer, was engaged to determine the fair value of biological assets at the end of reporting periods. The valuation methodology used to determine the fair value of biological assets is in compliance with both HKAS 41, Agriculture, and “The International Valuation Standards (2013 Edition)” published by the International Valuation Standards Council with aims to determine the fair value of a biological asset in its present location and condition.

The fair value measurement of the biological assets for the Target Group is categorised as level 3 fair value measurement within the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement.

During the Relevant Periods, there was no transfer occurred between levels in the hierarchy.

The movement in the fair value of the assets within level 3 of the hierarchy is as follows:

| | As at 31 December | | | As at |
|---|-------------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Opening balance (level 3 recurring fair value) | — | — | — | — |
| Acquired through business combination (<i>Note 33</i>) | — | — | — | 2,794 |
| Net additions | — | — | — | 16,516 |
| Gain arising from changes in fair value less costs to sell | — | — | — | 24,422 |
| Decrease due to harvest | — | — | — | (11,071) |
| Transfer to inventories | — | — | — | (23,714) |
| Decrease due to sales | — | — | — | (3,266) |
| Exchange differences | — | — | — | (22) |
| Closing balance (level 3 recurring fair value) | — | — | — | 5,659 |

The following unobservable inputs were used to measure the Target Group's biological assets:

| Description | Valuation technique | Unobservable inputs | Range | | | As at 30 June 2016 | Inter-relationship between key unobservable inputs and fair value Measurement | |
|--|---|--------------------------------|-------------------------------|------|------|--------------------|---|---|
| | | | As at 31 December | | | | | |
| | | | 2013 | 2014 | 2015 | | | |
| Biological assets (i.e. Fresh Fruits, Growing Produce and Seedlings) | Market approach, with cost approach applied for Growing Produce and Seedlings with no market comparison was available | Prices of similar transactions | Fresh Fruits | — | — | — | HK\$59–HK\$71 per kg | The higher of unobservable inputs, the higher of the fair value less costs to sell determined |
| | | | Growing Produce and Seedlings | — | — | — | HK\$7.6–HK\$15.2 per unit | |

The fair value measurement is based on the above biological assets' highest and best use, which does not differ from their actual use.

The higher of market price, the higher the fair value measurement of the biological assets.

The valuation of Fresh Fruits was determined by market approach by reference to prices of similar transactions.

The valuations of Growing Produce and Seedlings were determined by reference to accumulated reproduction cost of Growing Produce and Seedlings with similar size and weight. Accumulated reproduction cost means the cost to reproduce an asset, which is the plantation cost of Growing Produce and Seedlings.

The major assumptions of the valuations of biological assets were made as follows,

- (i) The biological assets were in good and saleable condition as at the end of reporting periods;
- (ii) The growth condition and specification (i.e. size and weight) of biological assets are uniform regardless of the nutritional treatment, soil conditions or sunlight coverage;
- (iii) No adverse weather condition, plant disease or bacterial infection are materially present by which the growth condition of the biological assets may be impaired.

The Target Group is exposed to a number of risks related to its plantations:

(i) Environmental factors and natural disasters

The productivity of the biological assets was highly subject to the effect of environment factors such as weather and infectious diseases. Typical risks, including the occurrence of forestry fire, frost, heavy snow, typhoons, pests and infectious diseases, would have a material impact on the productivity, and hence the fair value of the biological assets.

(ii) Fluctuation of prices

The pricing data of the biological assets obtained from the market or the historical selling price provided by the management of the Target Group was heavily dependent on market competition and consumers' purchasing preference on the biological assets. So the range of price of the biological assets for a particular species could be wide. The timing of supply and demand further heightened the uncertainty of the price estimates for which the product would be sold in a particular year. Competition from online suppliers' platform (e.g. Alibaba and Taobao) may indirectly weaken the Target Group's bargaining power in recovering the plantation costs plus margin from its customers. As such, the prices may be volatile and subject to various assumptions on inputs.

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(iii) Legal rights concerning the use of the Woodlands

The legal administrative framework for sub-urban and rural woodlands in the PRC was not as developed as those for urban lands. Thus, there were risks associated with the ownership, leasing and land use rights concerning the validity and legality of the negotiated arrangements between the land owners (i.e. often the farmers) and the Target Group, hence heightening the uncertainty on the recoverability of the economic value of the biological assets if potential conflicts arise.

(iv) Single product

In the future plan of the Target Group, the farmlands are designed for full production of exocarpium citri grandis only. The equipment and the fertilizers are also bought for this cultivation only. The sole product of the Target Group would become the major weakness of the Target Group if there is fade of trend for the exocarpium citri grandis or deteriorating quality of exocarpium citri grandis would drive out the customers. The inability of diversifying its revenue stream would make the Target Group suffer if there is no contingent business plan.

15 INVENTORIES AND CONSUMABLES

| | As at 31 December | | | As at |
|--------------|-------------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Consumables | — | — | — | 81 |
| Fresh Fruits | — | — | — | 686 |
| Dried Fruits | — | — | — | 15,209 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>15,976</u> |

16. TRADE RECEIVABLES

| | As at 31 December | | | As at |
|-------------------|-------------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade receivables | — | — | — | 20,395 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>20,395</u> |

The Target Group's trading terms with its existing customers are mainly on credit. The credit period is, in general, ranging from 0 to 30 days or based on the terms agreed in the relevant sales and rental agreements.

The director of the Target Company considers that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception. At the end of reporting periods, the Target Group reviewed receivables for evidence of impairment on both an individual and collective basis.

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The ageing analysis of trade receivables as at the end of reporting periods, net of impairment, based on invoice dates, is as follows:

| | As at 31 December | | | As at |
|-------------|-------------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | 2016 |
| | | | | <i>HK\$'000</i> |
| 0–30 days | — | — | — | 1,876 |
| 31–60 days | — | — | — | 13,821 |
| 61–90 days | — | — | — | 3,186 |
| 91–365 days | — | — | — | 1,512 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>20,395</u> |

The ageing analysis of the trade receivables that are past due but not impaired is as follows:

| | As at 31 December | | | As at |
|---------------------------------|-------------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | 2016 |
| | | | | <i>HK\$'000</i> |
| Neither past due nor impaired | — | — | — | 1,876 |
| Not more than 3 months past due | — | — | — | 17,007 |
| Over 3 months past due | — | — | — | 1,512 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>20,395</u> |

Trade receivables that were neither past due nor impaired related to a large number of independent customers that had a good track record of credit with the Target Group. Trade receivables that were past due but not impaired related to customers that had good track record of repayment with the Target Group. Management considered that no recoverability problem on such balances after taking into account of subsequent settlement received up to the date of this report. In this respect, the director of the Target Company is of the opinion that no allowance for impairment of these trade receivables is necessary as there was no recent history of significant default in respect of these trade debtors. In general, the Target Group does not hold any collateral or other credit enhancements over these balances.

17. PREPAYMENTS AND OTHER RECEIVABLES

| | As at 31 December | | | As at |
|--------------------------|-------------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | 2016 |
| | | | | <i>HK\$'000</i> |
| Target Group | | | | |
| <i>Non-current asset</i> | | | | |
| Prepayment | — | — | — | 2,124 |
| <i>Current assets</i> | | | | |
| Prepayments | — | — | — | 347 |
| Other receivables | — | — | — | 3,106 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>3,453</u> |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>5,577</u> |

The Target Group did not hold any collateral as security or other enhancements over other receivables.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

18. CASH AND CASH EQUIVALENTS

| | As at 31 December | | | As at |
|---------------------------|-------------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>2016</i> |
| Target Group | | | | <i>HK\$'000</i> |
| Cash at banks and in hand | <u>5</u> | <u>5</u> | <u>12,506</u> | <u>31,054</u> |
| | | | | |
| | As at 31 December | | | As at |
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>2016</i> |

| | | | | |
|---------------------------|----------|----------|----------|-----------------|
| Target Company | | | | <i>HK\$'000</i> |
| Cash at banks and in hand | <u>5</u> | <u>5</u> | <u>5</u> | <u>7</u> |

Cash at banks earned interest at floating rates based on daily bank deposit rates.

As at 30 June 2016, the Target Group had cash at banks and in hand denominated in RMB of approximately RMB25,850,000 of which the remittance of cash out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

19. TRADE PAYABLES

Based on the invoice dates, the ageing analysis of the Target Group's trade payables at the end of reporting periods is as follows:

| | As at 31 December | | | As at |
|-------------|-------------------|-----------------|-----------------|---------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>2016</i> |
| 0-30 days | — | — | — | 2,385 |
| 31-60 days | — | — | — | 8,115 |
| 61-90 days | — | — | — | 1,176 |
| 91-365 days | <u>—</u> | <u>—</u> | <u>—</u> | <u>2</u> |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>11,678</u> |

20. RECEIPT IN ADVANCE, ACCRUALS AND OTHER PAYABLES

| | As at 31 December | | | As at |
|--------------------|-------------------|-----------------|-----------------|--------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>2016</i> |
| Receipt in advance | — | — | — | 321 |
| Accruals | — | — | — | 3,272 |
| Other payables | <u>—</u> | <u>—</u> | <u>—</u> | <u>3,616</u> |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>7,209</u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

21. BALANCES WITH RELATED PARTIES

(a) Amount due from a related party

The details of amount due from a related party at the end of reporting periods are as follows:

| | As at 31 December | | | As at |
|----------------------------|-------------------|-----------|-----------|-------------|
| | 2013 | 2014 | 2015 | 30 June |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2016 |
| Target Group | | | | 2016 |
| Amount due from a director | <u>19</u> | <u>19</u> | <u>19</u> | <u>19</u> |

| | As at 31 December | | | As at |
|----------------------------|-------------------|-----------|-----------|-------------|
| | 2013 | 2014 | 2015 | 30 June |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2016 |
| Target Company | | | | 2016 |
| Amount due from a director | <u>19</u> | <u>19</u> | <u>19</u> | <u>19</u> |

The balance was unsecured, interest free and repayable on demand.

Particulars of amount due from a director disclosed pursuant to the Hong Kong Companies Ordinance are as follows:

| | Maximum outstanding | | Maximum outstanding | | Maximum outstanding | | Maximum outstanding | | As at 30 June 2016 |
|-----------------|----------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|---------------------------------|--------------------------|
| | As at 1 January 2013 | balance during the year | As at 31 December 2013 | balance during the year | As at 31 December 2014 | balance during the year | As at 31 December 2015 | balance during the period | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Mr. He Xiaoyang | <u>—</u> | <u>19</u> | <u>19</u> | <u>19</u> | <u>19</u> | <u>19</u> | <u>19</u> | <u>19</u> | <u>19</u> |

(b) Amounts due to related parties

The details of amounts due to related parties at the end of reporting periods are as follows:

| | As at 31 December | | | As at |
|--|-------------------|-----------|---------------|---------------|
| | 2013 | 2014 | 2015 | 30 June |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2016 |
| Target Group | | | | 2016 |
| Amount due to a director | 48 | 58 | 12,611 | 48,657 |
| Amount due to a related company (<i>Note i</i>) | — | — | — | 56 |
| Amounts due to related parties (<i>Note ii</i>) | <u>—</u> | <u>—</u> | <u>—</u> | <u>2,141</u> |
| | <u>48</u> | <u>58</u> | <u>12,611</u> | <u>50,854</u> |

| | As at 31 December | | | As at |
|--------------------------|-------------------|-----------|-----------|-------------|
| | 2013 | 2014 | 2015 | 30 June |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2016 |
| Target Company | | | | 2016 |
| Amount due to a director | <u>48</u> | <u>58</u> | <u>69</u> | <u>71</u> |

The balances were unsecured, interest free and repayable on demand.

| | |
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Notes:

- (i) One of the shareholders of the related company was the key management personnel of the Target Group for the period from 19 July 2012 to 30 June 2016.
- (ii) Particulars of amounts due to related parties are as follows:

| Name of related parties | As at 31 December | | | As at |
|-------------------------------------|-------------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | 2016 |
| | | | | <i>HK\$'000</i> |
| Mr. Zhuang Housong <i>(Note)</i> | — | — | — | 1,905 |
| Ms. Li Hua Rong <i>(Note)</i> | — | — | — | 236 |

Note: The spouses of the key management personnel of the Target Group.

22. LOANS PAYABLES FROM A RELATED PARTY

The details of loans payables from a related party at the end of reporting periods are as follows:

| Non-current liability | As at 31 December | | | As at |
|---|-------------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | 2016 |
| | | | | <i>HK\$'000</i> |
| Loans payables from a related party <i>(Note)</i> | — | — | — | 10,361 |

Note: The related party is a close family member of the key management personnel.

| Loans repayable: | As at 31 December | | | As at |
|---|-------------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | 2016 |
| | | | | <i>HK\$'000</i> |
| Within one year | — | — | — | — |
| More than one year, but not exceeding two years | — | — | — | 9,370 |
| More than two years, but not exceeding five years | — | — | — | 991 |
| | — | — | — | 10,361 |

The loans payables from a related party are unsecured and interest free.

As at 30 June 2016, the relevant loan agreements of outstanding borrowings did not contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

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23. OTHER LOANS PAYABLES

The details of other loans payables at the end of reporting periods are as follows:

| | As at 31 December | | | As at |
|---|-------------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>2016</i> |
| | | | | <i>HK\$'000</i> |
| Loans repayable: | | | | |
| Within one year | — | — | — | 14,228 |
| More than one year, but not exceeding two years | — | — | — | 3,068 |
| More than two years, but not exceeding five years | — | — | — | 590 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Portion classified as current liabilities | — | — | — | (14,228) |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Non-current portion | — | — | — | 3,658 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |

The other loans payables were loan balances due to various independent third parties to the Target Group, which are unsecured and interest free.

At 30 June 2016, the relevant loan agreements of outstanding borrowings did not contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

24. DEFERRED GOVERNMENT GRANTS

| | As at 31 December | | | As at |
|--|-------------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>2016</i> |
| | | | | <i>HK\$'000</i> |
| At beginning of the year/period | — | — | — | — |
| Acquired through business combination (<i>Note 33</i>) | — | — | — | 547 |
| Additions during the year/period | — | — | — | 10,838 |
| Exchange differences | — | — | — | (4) |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| At end of the year/period | — | — | — | 11,381 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |

The Target Group's deferred government grants mainly related to acquisition of property, plant and equipment.

The Target Group does not have any unfulfilled conditions and other contingencies attaching to government assistance in regard to the government grants at the end of reporting periods.

25. SHARE CAPITAL

| | <i>HK\$'000</i> |
|--|-----------------|
| Issued and fully paid: | |
| At 1 January 2013, 31 December 2013, 2014 and 2015, and 30 June 2016 | <u>2</u> |

26. RESERVES**Target Group**

Details of the movements of the Target Group's reserves are set out in the consolidated statements of changes in equity in section I.

Statutory reserves

PRC statutory reserves mainly include statutory surplus reserve and discretionary surplus reserve.

In accordance with the Company Law of the PRC, domestic enterprises in Mainland China are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC ("PRC GAAP"), to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital of relevant subsidiaries. Moreover, upon a resolution made by the shareholders, a certain percentage of domestic enterprises' profit after taxation, as determined under PRC GAAP, is transferred to the discretionary surplus reserve. During the Relevant Periods, appropriations were made by such subsidiaries to the statutory surplus reserves and discretionary surplus reserves accordingly.

The statutory and discretionary surplus reserves can be used to reduce previous years' losses, if any, and may be converted into paid-up capital, provided that the statutory reserve after such conversion is not less than 25% of the registered capital of relevant subsidiaries.

In accordance with relevant regulations issued by the Ministry of Finance of the PRC, a subsidiary of the Target Company is required to set aside a reserve through appropriations of profit after tax according to a certain ratio of the ending balance of its gross risk-bearing assets to cover potential losses against such assets.

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Translation reserve

Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

Target Company

| | Accumulated losses HK\$'000 |
|---|--|
| Balance at 1 January 2013 | — |
| Loss and total comprehensive income for the year | _____(26) |
| Balance at 31 December 2013 and 1 January 2014 | (26) |
| Loss and total comprehensive income for the year | _____(10) |
| Balance at 31 December 2014 and 1 January 2015 | (36) |
| Loss and total comprehensive income for the year | _____(11) |
| Balance at 31 December 2015 and 1 January 2016 | (47) |
| Loss and total comprehensive income for the period | ____— |
| Balance at 30 June 2016 | <u><u>(47)</u></u> |
| Six months ended 30 June 2015 (unaudited) | |
| Balance at 1 January 2015 | (36) |
| Loss and total comprehensive income for the period | _____(3) |
| Balance at 30 June 2015 (unaudited) | <u><u>(39)</u></u> |

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27. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere to this Financial Information, the Target Group had significant related party transactions during the Relevant Periods as follows:

(a) Details of these transactions are as follows:

| Related party relationship | Type of transaction | Year ended 31 December | | | Six months ended 30 June | |
|----------------------------|---|------------------------|------------------|------------------|-----------------------------|------------------|
| | | 2013 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 |
| Related company (Note i) | Sales to the related party | — | — | — | — | 7,080 |
| Related company (Note ii) | Provision of service to the Target Group | — | — | — | — | 124 |
| Related party (Note iii) | Purchase by the Target Group | — | — | — | — | 464 |
| Related party (Note iv) | Purchase by the Target Group | — | — | — | — | 348 |

Notes:

- (i) The director of the related company was the key management personnel of the Target Group for the period from 16 October 2014 to 23 June 2016.
- (ii) The sole director of the related company was the key management personnel of the Target Group for the period from 19 July 2012 to 27 June 2016.
- (iii) The related party is the close family member of the key management personnel of the Target Group.
- (iv) The related party is the spouse of the key management personnel of the Target Group.

The related party transactions shown above are the full amount of the transactions for the Relevant Periods. The transactions were initiated when the counterparties were regarded as related companies or related parties in accordance to HKAS 24. The relationships between the counterparties and the Target Group were ceased when the aforesaid transactions were completed.

The director of the Target Group considers to disclose the full transaction amounts during the Relevant Periods.

The above transactions were conducted in accordance with the terms mutually agreed between the Target Group and the related parties.

(b) Key management personnel compensation

The remuneration of directors and other members of key management during the Relevant Periods was as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|------------------------------|------------------------|------------------|------------------|-----------------------------|------------------|
| | 2013 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 |
| Short-term employee benefits | — | — | — | — | 52 |
| Defined contribution plans | — | — | — | — | — |
| | — | — | — | — | 52 |

| | |
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28. COMMITMENTS

(i) Operating lease arrangement — the Target Group as lessee

Operating lease payments represent rental payable by the Target Group for the Woodlands in which plantations are situated. The leases for the plantation bases are expired in 2034. None of the leases include contingent rentals.

At the end of reporting periods, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | As at 31 December | | | As at |
|--|-------------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>2016</i> |
| | | | | <i>HK\$'000</i> |
| Within one year | — | — | — | 38 |
| In the second to fifth years, inclusive | — | — | — | 202 |
| After five years | — | — | — | 617 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>857</u> |

The Target Company does not have any significant operating lease commitments as lessee.

(ii) Capital commitment

| | As at 31 December | | | As at |
|---|-------------------|-----------------|-----------------|-----------------|
| | 2013 | 2014 | 2015 | 30 June |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>2016</i> |
| | | | | <i>HK\$'000</i> |
| Target Group | | | | |
| Acquisition of property, plant and equipment | | | | |
| — contracted but not provided for | — | — | — | 2,854 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>2,854</u> |

The Target Company does not have any significant capital commitments.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND FAIR VALUE MEASUREMENTS

The Target Group is exposed to a variety of financial risks in its ordinary course of operations. The financial risks include market risk (mainly price risk), credit risk and liquidity risk. Details are disclosed in the notes below. The Target Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance. Risk management is carried out by key management under the policies approved by the director of the Target Company. The Target Group does not have written risk management policies. However, the director of the Target Company meets regularly to identify and evaluate risks and to formulate strategies to manage financial risks in a timely and effective manner. The risks associated with these financial instruments and the policies applied by the Target Group to mitigate these risks are set out below.

(a) Summary of financial assets and liabilities by category

The carrying amounts of the Target Group's financial assets and liabilities recognised in the consolidated statements of financial position at the reporting dates may also be categorised as follows:

| | As at 31 December | | | As at |
|-------------------------------------|-------------------|-----------|---------------|---------------|
| | 2013 | 2014 | 2015 | 30 June |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2016 |
| | | | | HK\$'000 |
| Target Group | | | | |
| Financial assets | | | | |
| Loans and receivables: | | | | |
| Trade receivables | — | — | — | 20,359 |
| Other receivables | — | — | — | 3,106 |
| Amount due from a related party | 19 | 19 | 19 | 19 |
| Cash and cash equivalents | 5 | 5 | 12,506 | 31,054 |
| | <u>24</u> | <u>24</u> | <u>12,525</u> | <u>54,538</u> |
| Financial liabilities | | | | |
| At amortised costs: | | | | |
| Trade payables | — | — | — | 11,678 |
| Accruals and other payables | — | — | — | 6,888 |
| Amounts due to related parties | 48 | 58 | 12,611 | 50,854 |
| Loans payables from a related party | — | — | — | 10,361 |
| Other loans payables | — | — | — | 17,886 |
| | <u>48</u> | <u>58</u> | <u>12,611</u> | <u>97,667</u> |
| | | | | |
| | As at 31 December | | | As at |
| | 2013 | 2014 | 2015 | 30 June |
| | HK\$'000 | HK\$'000 | HK\$'000 | 2016 |
| | | | | HK\$'000 |
| Target Company | | | | |
| Financial assets | | | | |
| Loans and receivables: | | | | |
| Amount due from a related party | 19 | 19 | 19 | 19 |
| Cash and cash equivalents | 5 | 5 | 5 | 7 |
| | <u>24</u> | <u>24</u> | <u>24</u> | <u>26</u> |
| Financial liability | | | | |
| At amortised cost: | | | | |
| Amount due to a related party | 48 | 58 | 69 | 71 |

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(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Group. The Target Group's exposure to credit risk mainly arises from credit to customers in the ordinary course of its business. As at 30 June 2016, the five largest trade debtors, in aggregate, contributed approximately HKD19,890,000 or 98%, to the Target Group's total trade receivables. The Target Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credits risk controls. The Target Group's policy is to deal only with creditworthy counterparties and customers.

The Target Group's management considers that all the above financial assets that are not impaired under review are of good credit quantity, including those that are past due.

None of the Target Group's financial assets are secured by collateral or other credit enhancement.

The credit risk for bank deposits and balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(c) Liquidity risk

The Target Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flows management. The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables detail the Target Group's remaining contractual maturities of the Target Group's financial liabilities which are based on undiscounted cash flows and the earliest date the Target Group can be required to pay are summarised below.

| | Carrying amount <i>HK\$'000</i> | Total contractual undiscounted cash flow <i>HK\$'000</i> | On demand <i>HK\$'000</i> | Less than one year <i>HK\$'000</i> | More than one year <i>HK\$'000</i> |
|-------------------------------|------------------------------------|---|------------------------------|---------------------------------------|---------------------------------------|
| At 31 December 2013 | | | | | |
| Amount due to a related party | 48 | 48 | 48 | — | — |
| | 48 | 48 | 48 | — | — |
| | 48 | 48 | 48 | — | — |
| At 31 December 2014 | | | | | |
| Amount due to a related party | 58 | 58 | 58 | — | — |
| | 58 | 58 | 58 | — | — |
| | 58 | 58 | 58 | — | — |

| | Carrying amount HK\$'000 | Total contractual undiscounted cash flow HK\$'000 | On demand HK\$'000 | Less than one year HK\$'000 | More than one year HK\$'000 |
|-------------------------------------|--------------------------------|---|-----------------------|-----------------------------------|-----------------------------------|
| At 31 December 2015 | | | | | |
| Amounts due to a related party | 12,611 | 12,611 | 12,611 | — | — |
| | <u>12,611</u> | <u>12,611</u> | <u>12,611</u> | <u>—</u> | <u>—</u> |
| | Carrying amount HK\$'000 | Total contractual undiscounted cash flow HK\$'000 | On demand HK\$'000 | Less than one year HK\$'000 | More than one year HK\$'000 |
| At 30 June 2016 | | | | | |
| Trade payables | 11,678 | 11,678 | — | 11,678 | — |
| Accruals and other payables | 6,888 | 6,888 | 6,888 | — | — |
| Amount due to related parties | 50,854 | 50,854 | 50,854 | — | — |
| Loans payables from a related party | 10,361 | 10,361 | — | — | 10,361 |
| Other loans payables | 17,886 | 17,886 | — | 14,228 | 3,658 |
| | <u>97,667</u> | <u>97,667</u> | <u>57,742</u> | <u>25,906</u> | <u>14,019</u> |

30. CAPITAL MANAGEMENT

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged throughout the years.

The Target Group sets the amount of capital in proportion to its overall financing structure. The Target Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The total debt to equity ratio at the end of reporting periods is as follows:

| | As at 31 December | | | As at 30 June 2016 |
|-------------------------------------|-------------------|------------------|------------------|--------------------------|
| | 2013 HK\$'000 | 2014 HK\$'000 | 2015 HK\$'000 | HK\$'000 |
| Loans payables from a related party | — | — | — | 10,361 |
| Other loans payables | — | — | — | 17,886 |
| Total debt | — | — | — | 28,247 |
| (Capital deficiency)/total equity | (24) | (34) | (86) | 171,425 |
| Total debt to equity ratio | <u>—</u> | <u>—</u> | <u>—</u> | <u>0.2</u> |

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

31. INVESTMENTS IN SUBSIDIARIES

As at the date of this report, the particulars of the subsidiaries in which the Target Company has direct or indirect interests are set out as follows:

| Name | Form of business structure | Place of incorporation/ operation | Issued/ registered capital | Effective interest held by the Company | Principal activities | Place and date of incorporation/ establishment | Relevant financial periods |
|---|--|--------------------------------------|-------------------------------|--|---|---|----------------------------|
| <i>Interests held directly</i> | | | | | | | |
| Vast Bloom (Note i) | Limited liability company | Hong Kong | HK\$1 | 100% | Investment holding | Hong Kong/ 21 August 2015 | 31 December |
| <i>Interests held indirectly</i> | | | | | | | |
| 廣東大合生物科技股份有限公司, Guangdong Dahe* (Note ii) | Limited liability foreign-owned enterprise | PRC | RMB50,000,000 | 80% | Cultivation, research, processing and sales of exocarpium citri grandis and its seedlings | PRC/30 September 2013 | 31 December |
| 深圳前海化橘紅生物科技股份有限公司 Shenzhen Qianhai Exocarpium Citri Grandis Biological Technologies Limited* (Note iii) | Limited liability foreign-owned enterprise | PRC | HK\$20,000,000 | 100% | Inactive | PRC/13 April 2016 | 31 December |

* The English translation of the company name is for reference only. The official name of this company is in Chinese.

Notes:

- (i) No statutory audited financial statements have been prepared for the subsidiaries for the year ended 31 December 2015.
- (ii) The statutory financial statements of the subsidiary for each of the years ended 31 December 2013, 2014 and 2015 were audited by Shenzhen Zhongyu Certified Public Accountants.
- (iii) No statutory audited financial statements have been prepared.

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| APPENDIX II | FINANCIAL INFORMATION OF THE TARGET GROUP |
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32. NON-CONTROLLING INTERESTS

Guangdong Dahe, an 80% indirectly-owned subsidiary of the Target Company, has material non-controlling interests (“NCI”).

Summarised financial information in relation to the NCI of Guangdong Dahe, before intra-group eliminations, is presented below:

| | <i>HK\$'000</i> |
|--|-----------------------|
| For the period ended 30 June 2016 | |
| Revenue | <u>32,657</u> |
| Profit for the period | <u>26,040</u> |
| Transfer to statutory reserve | <u>(2,605)</u> |
| Total comprehensive income | <u>23,435</u> |
| Profit allocated to NCI | <u>4,687</u> |
| Dividends paid to NCI | <u>—</u> |
| For the period ended 30 June 2016 | |
| Cash flows from operating activities | 1,697 |
| Cash flows used in investing activities | (3,972) |
| Cash flows from financing activities | <u>8,250</u> |
| Net cash inflows | <u><u>5,975</u></u> |
| | <i>HK\$'000</i> |
| As at 30 June 2016 | |
| Non-current assets | 204,239 |
| Current assets | 75,986 |
| Current liabilities | (36,480) |
| Non-current liabilities | <u>(24,263)</u> |
| Net assets | <u><u>219,482</u></u> |
| Accumulated non-controlling interests | <u>43,355</u> |

| | |
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| APPENDIX II | FINANCIAL INFORMATION OF THE TARGET GROUP |
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33. BUSINESS COMBINATION

On 4 January 2016, Vast Bloom acquired 80% equity interest of Guangdong Dahe by way of capital injection of RMB40 million (equivalent to approximately HK\$47.7 million), which was satisfied by cash. The principal activity of Guangdong Dahe is to engage in the business of cultivation, research, processing, sales of *exocarpium citri grandis*. The director of the Target Company considers the acquisition is a good opportunity to expand the business into manufacturing and selling of medical and health products in the PRC.

The fair values of identifiable assets and liabilities acquired at the date of acquisition were as follows:

| | Carrying amount <i>HK\$'000</i> | Fair value <i>HK\$'000</i> |
|---|---|--------------------------------------|
| Property, plant and equipment | 50,706 | 177,884 |
| Biological assets | 2,794 | 2,794 |
| Inventories and consumables | 753 | 1,917 |
| Trade receivables | 12,846 | 12,846 |
| Prepayments and other receivables | 1,508 | 1,508 |
| Amounts due from related parties | 47,680 | 47,680 |
| Amount due from non-controlling interest | 20 | 20 |
| Cash and cash equivalents | 629 | 629 |
| Trade payables | (7,064) | (7,064) |
| Receipt in advance, accruals and other payables | (5,852) | (5,852) |
| Amounts due to related parties | (514) | (514) |
| Loans payables from the related parties | (25,285) | (25,285) |
| Other loans payables | (11,037) | (11,037) |
| Deferred government grants | (547) | (547) |
| Total identifiable net assets | 66,637 | 194,979 |
| Non-controlling interests | | (38,975) |
| Net assets acquired | | 156,004 |
| Gain on a bargain purchase on acquisition of a subsidiary | | (108,324) |
| Total consideration | | 47,680 |
| Satisfied by: | | |
| Cash | | 47,680 |
| Net cash inflow arising on acquisition: | | |
| Cash and cash equivalents acquired | | 629 |

Gain on a bargain purchase of approximately HK\$108,324,000 was recognised upon completion of the acquisition of Guangdong Dahe. The gain on a bargain purchase on acquisition was mainly attributable to the vendors who were willing to accept less than business fair value as consideration. The gain on a bargain purchase was included in other income in the consolidated statements of comprehensive income in *note 8*.

The fair value and gross amount of trade receivables amounted to approximately HK\$12,846,000. No impairment is recorded for the trade receivables.

Since the acquisition date, Guangdong Dahe contributed revenue of approximately HK\$27,676,000 and net profit of approximately HK\$25,719,000 to the Target Group. Had the combination taken place on 1 January 2016, the revenue and the profit before income tax of the Target Group for the period ended 30 June 2016 would have been HK\$27,676,000 and HK\$25,719,000 respectively. This pro forma information is for

illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Target Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor intended to be a projection of future performance.

The acquisition-related costs expensed in the acquisitions were not material, and they had been expensed and were included in administrative expenses.

34. SIGNIFICANT NON-CASH TRANSACTIONS

Additions to property, plant and equipment of approximately HK\$10,838,000 were entitled and subsidised by a deferred government grant by way of direct payment to the contractor during the period.

35. LITIGATION

During the Relevant Periods, there were two lawsuits in relation to the Woodlands of the Target Group:

(i) Background

The relevant forestry rights of the Woodlands were contracted previously by the respective local village economic cooperatives in Huazhou City to Mr. Wu Junsong (“Mr. Wu”), who then transferred rights of the Woodlands to Mr. Yu Bing (“Mr. Yu”). The forestry rights of the Woodlands (as detailed note 13) were transferred from Mr. Yu to Guangdong Dahe on 18 October 2013 (the “Forestry Rights Transfer”). The forestry rights in the PRC included the right to use the Woodlands, to own and use the forestry trees on the Woodlands and to earn income from forestry trees on the Woodlands.

Before the Forestry Rights Transfer executed in 2013, Mr. Yu signed a project cooperation agreement (the “Cooperation Agreement”) on the Woodlands and other woodland areas with Mr. Wu since 2011. Pursuant to the Cooperation Agreement, in addition to that the relevant forestry rights of the Woodlands were contracted to transfer to Mr. Yu to develop plantation business, there are other clauses but not limited to, sharing profits with Mr. Wu on the earnings from the Woodlands, and Mr. Wu is required to tidy up existing rubber trees, etc in the Woodlands.

(ii) Civil and Administrative actions in respect of the forestry rights of the Woodlands

- (a) The forestry rights of the Woodlands and the Cooperation Agreement had undergone several disputes. During the years from 2013 to 2016, Mr. Wu and his sons, namely Mr. Wu Weiguo and Mr. Wu Weidian (collectively the “Wu’s Family”), on one side, and Mr. Yu, on the other side, had disputes over, among other things, the interests in the Woodlands, and had brought civil action (the “Civil Action”) to the court of the PRC in this regard. In 2014, Mr. Wu Weiguo and Mr. Wu Weidian had brought an administrative action (the “Administrative Action”) to Intermediate People’s Court of Maoming City Guangdong Province, which involved, among other things, the forestry rights of the Woodlands.

Among years, certain negotiations for the Civil Action and Administrative Action among Mr. Yu, the Wu’s Family, Guangdong Dahe (collectively the “Relevant Counterparties”) and the People’s Government of Maoming City are in the progress, and various judgements from the Civil Action and the Administrative Action were issued by various legal bureaus of the local government. The Relevant Counterparties used every means for counterclaims and defended for his corresponding benefits. Accordingly, the forestry rights of the Woodlands were in doubt during the Relevant Periods.

- (b) To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Mr. Yu and the Wu’s Family are third parties independent of (a) the Company and its connected persons (as defined under the Listing Rules); and (b) the Target Group and Mr. He Xiaoyang.

(iii) Final settlement entered among the Relevant Counterparties

On 8 October 2016, the Relevant Counterparties entered into the Settlement Agreement for a full and final settlement of all the lawsuits in respect of the Woodlands as well as all claims arising directly or indirectly in respect of the Woodlands and/or the aforementioned lawsuits. Pursuant to the Settlement Agreement, the Relevant Counterparties have confirmed, among other things, that (a) there are no further disputes in respect of the Woodlands (including the forestry trees, etc. on the Woodlands); (b) Guangdong Dahe has the legal right to use the Woodlands and to own and use the forestry trees on the Woodlands; (c) the parties involved in the lawsuits have no disagreements in respect of the complete and exclusive interests of Guangdong Dahe in respect of the Woodlands; and (d) they shall not make any claim against Guangdong Dahe in respect of the Woodlands.

(iv) Issuance of mediation statement and administrative ruling statement

A mediation statement (民事調解書) (the “Mediation Statement”) and an administrative ruling statement (行政裁定書) both dated 17 October 2016 have been issued by the Intermediate People’s Court of Maoming City, Guangdong province, the PRC, which respectively acknowledged the final settlement of the Civil Action and accepted the withdrawal of the Administrative Action as mentioned above. The Mediation Statement and aforementioned administrative ruling statement became effective on 26 October 2016 and 19 October 2016 respectively. In the opinion of the director of the Target Company, as confirmed by the PRC legal adviser, the Settlement Agreement is valid and legally binding, and that the aforementioned civil action has been finally and conclusively settled.

(v) Pursuant to the Mediation Statement, the Relevant Counterparties had voluntarily and mutually agreed the terms as follows:

- (1) a one-off settlement in the amount of RMB9,000,000 shall be paid by Mr. Yu to the Wu’s Family to settle all disputes in respect of the Woodlands including but not limited to the aforementioned lawsuits;
- (2) all claims and counterclaims stated in the civil action in respect of the Woodlands shall be abandoned voluntarily;
- (3) all other actions in relation to the Woodlands (including but not limited to the aforementioned administrative action) shall be withdrawn by the Wu’s Family within 3 business days from the effective date of the Mediation Statement; and a notice of release (解付通知書) shall be issued by Mr. Yu to Mr. Wu Weidian (being the representative of the Wu’s Family) within 2 days from the receipt of withdrawal ruling statement (撤訴裁定書) from the courts by Mr. Wu Weidian;
- (4) a receipt of the settlement of RMB9,000,000 shall be issued by the Wu’s family to Mr. Yu; and
- (5) since November 2013, Guangdong Dahe has been legally entitled to the forestry rights of the Woodlands and the Wu’s Family no longer had interest in the Woodlands. The Wu’s Family shall clean up, return the properties on certain areas of the Woodlands which have been occupied by other parties within 75 days from the effective date of the Mediation Statement (“Clean-up and Return Work”).

The one-off settlement of RMB9,000,000 was paid by Mr. Yu into escrow account on 9 October 2016, and the notice for releasing the settlement monies from the escrow account to the Wu’s Family and the receipt of the settlement monies by the Wu’s Family had been issued on 28 October 2016.

In the opinion of the director of the Target Company, as pursuant to advice from the PRC legal adviser, the Mediation Statement and the administrative ruling statement are valid and legally binding, and that the aforementioned civil action has been finally and conclusively settled and the administrative action has been withdrawn. Up to the date of this report, actions (1) to (4) above under the Mediation Statement had been performed, while action (5) above under the Mediation Statement regarding the

Clean-up and Return Work is still in progress, which, as advised by the PRC legal adviser, would not affect the effectiveness of the Mediation Statement. The Target Group will closely monitor the progress and barring any unforeseen circumstances, it is expected that the Clean-up and Return Work will be completed as scheduled.

36. EVENTS AFTER REPORTING DATE

On 1 October 2016, the director of the Target Company has waived the amount due by the Target Group to the director of approximately HK\$48,610,000.

On 8 October 2016, Mr. Yu Bing, Mr. Wu Junsong, Mr. Wu Weiguo, Mr. Wu Weidian and the Target Group entered into the Settlement Agreement for the full and final settlement of all the lawsuits in respect of the Woodlands. Details have been disclosed in note 35 to the Financial Information.

III. SUBSEQUENT FINANCIAL INFORMATION

No audited Financial Information has been prepared by the Target Group in respect of any period subsequent to 30 June 2016.

Yours faithfully,

BDO Limited
Certified Public Accountants
Lo Ngai Hang
Practising Certificate No. P04743
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis on the Target Group for each of the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016 (the “**Relevant Periods**”).

Business review

The Target was established in the British Virgin Islands on 26 October 2012 with limited liability. The Target has not carried out any business since the date of its incorporation, except for a share transfer transaction which the Vendor, being the sole shareholder of the Target, has transferred his entire interest in Vast Bloom to the Target on 4 March 2016.

The Target became the holding company of the companies now comprising the Target Group by way of the aforesaid share transfer by the Vendor. The aforesaid share transfer by the Vendor has no substance and do not form a business combination, and accordingly, the financial information of the Target Group as disclosed in the accountants’ report of the Target Group contained in this appendix was combined with that of Vast Bloom using the predecessor carrying amounts. Other than that, the acquisition of Guangdong Dahe by Vast Bloom in January 2016 is accounted for using the acquisition method. As such, for the years ended 31 December 2013 and 2014, the Target Group comprised the Target only. For the year ended 31 December 2015, the Target Group comprised the Target and Vast Bloom. The Target and Vast Bloom were both investment holding companies and the Target Group has not carried out any business activity for the years ended 31 December 2013, 2014 and 2015.

For the six months ended 30 June 2016, the Target Group comprised the Target, Vast Bloom, Guangdong Dahe and Qianhai ECG. The Target Group was principally engaged in cultivation, research, processing and sales of *exocarpium citri grandis* for the six months ended 30 June 2016.

Results

Revenue

The Target Group has not carried out any business activity for the years ended 31 December 2013, 2014 and 2015 and accordingly, it did not generate any revenue during these years.

The revenue of the Target Group of approximately HK\$32,657,000 for the six months ended 30 June 2016 represented the sales of the Seedlings and the Dried Fruits by Guangdong Dahe. Among which, HK\$5,813,000 were attributable to the sales of 229,625 Seedlings with an average unit price of approximately HK\$25, and HK\$26,844,000 were attributable to the sales of 33,173 kilograms of Dried Fruits with an average price of approximately HK\$809 per kilogram.

Costs of sales

The Target Group has not carried out any business activity for the years ended 31 December 2013, 2014 and 2015 and accordingly, it did not incur any costs of sales during these years.

The costs of sales of the Target Group of approximately HK\$13,661,000 for the six months ended 30 June 2016 represented the costs of inventories recognised as expense by Guangdong Dahe, which mainly represented the inventories costs of Seedlings and Fresh Fruits and the processing expenses from the Fresh Fruits to the Dried Fruits.

Gain arising from changes in fair value less costs to sell of biological assets

The gain arising from changes in fair value less costs to sell of biological assets was approximately HK\$24,422,000 for the six months ended 30 June 2016. Such gain mainly represented the change in fair value of the Fresh Fruits and exocarpium citri grandis growing on bearer plants (“**Growing Produce**”).

Other income and gains

The other income of the Target Group was approximately HK\$109.6 million for the six months ended 30 June 2016. Approximately HK\$108.3 million was attributable to the gain on a bargain purchase arising from the acquisition of Guangdong Dahe, which represented the excess of fair value of net assets of Guangdong Dahe of approximately HK\$156.0 million at the date of acquisition on 4 January 2016 over the capital injection amount of approximately HK\$47.7 million (details of which are disclosed in note 33 to the accountants’ report of the Target Group in this appendix).

Selling expenses

The Target Group incurred selling expenses of approximately HK\$159,000 for the six months ended 30 June 2016, which mainly represented advertising expenses.

Administrative expenses

The Target Group incurred administrative expenses of approximately HK\$26,000, HK\$10,000, HK\$52,000 and HK\$1,904,000 for the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016 respectively. The administrative expenses of the Target Group for the years ended 31 December 2013, 2014 and 2015 were mainly composed of general office expenses while that for six months ended 30 June 2016 were mainly general office expenses, business development costs and employee costs, including salaries and wages, other benefits and contributions to defined contribution plans.

Other operating expenses

The Target Group incurred other operating expenses of approximately HK\$16,876,000 for the six months ended 30 June 2016, which were composed of depreciation of property, plant and equipment and plantation cost of mature bearer plants.

Profit/loss for the year/period

The Target Group recorded a consolidated net loss of approximately HK\$26,000, HK\$10,000 and HK\$52,000 for the years ended 31 December 2013, 2014 and 2015 respectively and a consolidated net profit of approximately HK\$134,072,000 for the six months ended 30 June 2016 as a result of the aforementioned factors.

Liquidity and financial resources

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Group mainly financed its operation by internally generated resources or loans.

The Target Group recorded net liabilities of approximately HK\$24,000, HK\$34,000 and HK\$86,000 as at 31 December 2013, 31 December 2014 and 31 December 2015 respectively and net assets of approximately HK\$171,425,000 as at 30 June 2016. The Target Group had cash and cash equivalents of approximately HK\$5,000, HK\$5,000, HK\$12,506,000 and HK\$31,054,000 as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016 respectively, which were denominated in HK\$ and RMB.

The Target Group has other loans payables of approximately HK\$17,886,000 as at 30 June 2016, which were denominated in RMB and were unsecured, interest-free with the repayment schedule between 2016 and 2019.

The loans payable from a related party of the Target Group amounted to approximately HK\$10,361,000 as at 30 June 2016. Such loans payable from a related party were denominated in RMB and were unsecured, interest-free with the repayment schedule between 2017 and 2018.

The gearing ratio of the Target Group, which is defined as total debts (being the sum of other loans payables and loans payables from a related party) divided by total equity, was approximately nil, nil, nil and 0.2 as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016 respectively.

Exchange rate exposure

The business operation of the Target Group were mainly conducted in HK\$ and RMB during the Relevant Periods. The Target Group reviews its foreign currency exposures on a regular basis and does not consider its foreign currency risk to be significant. The Target Group did not use any financial instruments for hedging purpose.

Significant investments, material acquisitions and disposals

In January 2016, Vast Bloom acquired Guangdong Dahe through contributing new capital of RMB40 million into Guangdong Dahe, which represents 80% of the enlarged registered capital of Guangdong Dahe, and became its controlling shareholder.

Save for the above, the Target Group did not have any significant investments, material acquisitions or disposals during the Relevant Periods.

Contingent liabilities and capital commitment

The Target Group had capital commitments, which were contracted but not provided for, in respect of the acquisition of property, plant and machinery amounted to approximately HK\$2,854,000 as at 30 June 2016.

Save for the above, as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, the Target Group did not have any material contingent liabilities and capital commitment.

Pledge of assets

As at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, the Target Group did not pledge any of its assets.

Employees and remuneration

The Target Group did not have any employees as at 31 December 2013, 31 December 2014 and 31 December 2015 and did not incur any employee costs for the years ended 31 December 2013, 2014 and 2015. As at 30 June 2016, the Target Group had 115 employees and for the six months ended 30 June 2016, the employee costs amounted to approximately HK\$2,407,000.

The Target Group did not have significant problems with its employees or disruptions due to labour disputes nor experience difficulties in the recruitment and retention of experienced staff during the Relevant Periods. The Target Group remunerates its employees based on industry practices. Its employee salaries, wages, other benefits and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

Future plans for material investments and acquisition of capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016.

1. ACCOUNTANTS' REPORT

The following is the text of a report received from BDO Limited, the independent reporting accountants, regarding the financial information of Guangdong Dahe for the period from 30 September 2013 (date of establishment) to 31 December 2013, for each of the two years ended 31 December 2014 and 2015 and for the six months ended 30 June 2016 prepared for the purpose of incorporation in this circular.



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21 December 2016

The Directors
Eagle Legend Asia Limited
Room 3607, 36/F
China Resources Building
26 Harbour Road
Wan Chai, Hong Kong

Dear Sirs,

We set out below our report on the financial information of Guangdong Dahe Biological Technologies Limited (“Guangdong Dahe”) which comprises the statements of financial position of Guangdong Dahe as at 31 December 2013, 2014 and 2015 and 30 June 2016, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows of Guangdong Dahe for each of the period from 30 September 2013 (date of establishment) to 31 December 2013, years ended 31 December 2014 and 2015 and the six months ended 30 June 2016 (the “Relevant Periods”) and a summary of significant accounting policies and other explanatory notes (the “Financial Information”), together with the comparative financial information of Guangdong Dahe including the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 June 2015 (the “Comparative Financial Information”), for inclusion in the circular (the “Circular”) dated 21 December 2016 issued by Eagle Legend Asia Limited (the “Company”) in connection with its proposed acquisition of 51% of the entire equity interest in Best Earnest Investments Limited (the “Target Company”) by a wholly-owned subsidiary of the Company.

Guangdong Dahe was established in the People’s Republic of China (the “PRC”) on 30 September 2013. Guangdong Dahe has become an indirectly-owned subsidiary of the Target Company since 4 January 2016. The principal activities of Guangdong Dahe are to engage in the cultivation, research, processing, sales of exocarpium citri grandis (化橘紅) and its seedlings in Huazhou City, Guangdong Province, the PRC.

Guangdong Dahe has a financial year end date of 31 December. The statutory financial statements of Guangdong Dahe, prepared in accordance with relevant accounting principles and financial regulations generally accepted in the PRC, were audited by Shenzhen Zhongyu Certified Public Accountants, certified public accountants registered in the PRC.

DIRECTORS' RESPONSIBILITY

For the purpose of this report, the directors of Guangdong Dahe have prepared the financial statements of Guangdong Dahe for the Relevant Periods (the "Underlying Financial Information") in accordance with the basis of preparation set out in note 2 of section II and the accounting policies set out in note 4 of section II which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Financial Information has been prepared by the directors of Guangdong Dahe based on the Underlying Financial Information with no adjustment made thereon.

The directors of Guangdong Dahe are responsible for the preparation of the Financial Information in accordance with the basis of preparation set out in note 2 of section II and the accounting policies set out in note 4 of section II, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of Guangdong Dahe determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of Guangdong Dahe are also responsible for the preparation of the Comparative Financial Information in accordance with the same basis adopted in respect of the Financial Information.

The directors of the Company are responsible for the contents of the Circular in which this report is included.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and a review conclusion on the Comparative Financial Information, respectively, based on our procedures and to report our opinion and review conclusion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of Guangdong Dahe, and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have also reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued

by the HKICPA. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Comparative Financial Information. 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 on the Comparative Financial Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2 of section II below, the Financial Information gives a true and fair view of the financial position of Guangdong Dahe as at 31 December 2013, 2014 and 2015 and 30 June 2016 and of the financial performance and cash flows of Guangdong Dahe for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE COMPARATIVE FINANCIAL INFORMATION

Based on our review, which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

EMPHASIS OF MATTER

We draw attention to note 32 of section II to the Financial Information which describes matters related to the outcome of the lawsuits. Our opinion is not qualified in respect of this matter.

I. FINANCIAL INFORMATION

Statements of Comprehensive Income

| | <i>Notes</i> | For the | Year ended | | Six months ended | |
|--|--------------|--|----------------|----------------|------------------|----------------|
| | | period from 30 September 2013 (date of establishment) to 31 December 2013 | 31 December | | 30 June | |
| | | 2013 | 2014 | 2015 | 2015 | 2016 |
| | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | | (Unaudited) | |
| Revenue | 7 | — | 2,195 | 20,227 | 2,190 | 27,676 |
| Cost of sales | | — | (1,062) | (8,284) | (1,260) | (11,577) |
| Gross profit | | — | 1,133 | 11,943 | 930 | 16,099 |
| Gain arising from changes in fair value less costs to sell of biological assets | 14 | — | 1,421 | 3,953 | 3,953 | 20,697 |
| Other income and gains | 8 | 12 | 1 | — | — | 1,075 |
| Selling expenses | | — | — | (179) | (33) | (134) |
| Administrative expenses | | (5) | (2,428) | (6,244) | (1,071) | (1,365) |
| Other operating expenses | | — | (6) | (3,663) | (1,659) | (10,653) |
| Profit before income tax | 9 | 7 | 121 | 5,810 | 2,120 | 25,719 |
| Income tax expense | 10 | — | — | — | — | — |
| Profit for the period/year and total comprehensive income for the period/year | | <u>7</u> | <u>121</u> | <u>5,810</u> | <u>2,120</u> | <u>25,719</u> |

Statements of Financial Position

| | Notes | As at 31 December | | | As at |
|--|-------|-------------------|-----------------|-----------------|----------------------------|
| | | 2013 RMB'000 | 2014 RMB'000 | 2015 RMB'000 | 30 June 2016 RMB'000 |
| ASSETS AND LIABILITIES | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 13 | — | 22,905 | 42,632 | 68,006 |
| Prepayments | 17 | — | — | 953 | 1,800 |
| | | — | 22,905 | 43,585 | 69,806 |
| Current assets | | | | | |
| Biological assets | 14 | — | 3,639 | 2,349 | 4,795 |
| Inventories and consumables | 15 | — | 1,739 | 633 | 12,561 |
| Trade receivables | 16 | — | 2,195 | 10,800 | 17,284 |
| Prepayments and other receivables | 17 | 425 | 389 | 315 | 2,927 |
| Amounts due from related parties | 21 | 350 | 3 | 17 | — |
| Cash and cash equivalents | 18 | 10,236 | 2 | 529 | 25,850 |
| | | 11,011 | 7,967 | 14,643 | 63,417 |
| Current liabilities | | | | | |
| Trade payables | 19 | — | — | 5,939 | 9,897 |
| Receipt in advance, accruals and other payables | 20 | 4 | 1,759 | 4,920 | 6,111 |
| Amounts due to related parties | 21 | — | — | 432 | 1,885 |
| Loans payables from related parties | 22 | — | — | 315 | 4,878 |
| Other loans payables | 23 | — | — | 7,340 | 7,180 |
| Deferred government grants | 24 | — | — | 23 | 965 |
| | | 4 | 1,759 | 18,969 | 30,916 |
| Net current assets/(liabilities) | | 11,007 | 6,208 | (4,326) | 32,501 |
| Total assets less current liabilities | | 11,007 | 29,113 | 39,259 | 102,307 |
| Non-current liabilities | | | | | |
| Loans payables from related parties | 22 | 1,000 | 18,435 | 20,944 | 11,381 |
| Other loans payables | 23 | — | 550 | 1,940 | 500 |
| Deferred government grants | 24 | — | — | 437 | 8,681 |
| | | 1,000 | 18,985 | 23,321 | 20,562 |
| Net assets | | 10,007 | 10,128 | 15,938 | 81,745 |
| EQUITY | | | | | |
| Share capital | 25 | 10,000 | 10,000 | 10,000 | 50,000 |
| Reserves | 26 | 7 | 128 | 5,938 | 31,745 |
| Total equity | | 10,007 | 10,128 | 15,938 | 81,745 |

Statements of Changes in Equity

| | Share capital RMB'000 | Capital reserve RMB'000 Note 26 | Statutory reserve RMB'000 Note 26 | Retained earnings RMB'000 | Total equity RMB'000 |
|---|-----------------------------|--|--|---------------------------------|----------------------------|
| At 30 September 2013 (date of establishment) | 10,000 | — | — | — | 10,000 |
| Profit for the period and total comprehensive income for the period | — | — | — | 7 | 7 |
| At 31 December 2013 and 1 January 2014 | 10,000 | — | — | 7 | 10,007 |
| Profit for the year and total comprehensive income for the year | — | — | — | 121 | 121 |
| At 31 December 2014 and 1 January 2015 | 10,000 | — | — | 128 | 10,128 |
| Profit for the year and total comprehensive income for the year | — | — | — | 5,810 | 5,810 |
| At 31 December 2015 and 1 January 2016 | 10,000 | — | — | 5,938 | 15,938 |
| Profit for the period and total comprehensive income for the period | — | — | — | 25,719 | 25,719 |
| Capital injection | 40,000 | 88 | — | — | 40,088 |
| Transfer to statutory reserve | — | — | 2,572 | (2,572) | — |
| At 30 June 2016 | <u>50,000</u> | <u>88</u> | <u>2,572</u> | <u>29,085</u> | <u>81,745</u> |
| Six months ended 30 June 2015 (unaudited) | | | | | |
| At 1 January 2015 | 10,000 | — | — | 128 | 10,128 |
| Profit for the period and total comprehensive income for the period | — | — | — | 2,120 | 2,120 |
| At 30 June 2015 (unaudited) | <u>10,000</u> | <u>—</u> | <u>—</u> | <u>2,248</u> | <u>12,248</u> |

Statements of Cash Flows

| | Notes | For the period from 30 September 2013 (date of establishment) to 31 December 2013 | | Year ended 31 December | | Six months ended 30 June | |
|---|-------|---|-----------------|------------------------|-----------------|--------------------------|--|
| | | 2013 RMB'000 | 2014 RMB'000 | 2015 RMB'000 | 2015 RMB'000 | 2016 RMB'000 | |
| (Unaudited) | | | | | | | |
| Cash flows from operating activities | | | | | | | |
| Profit before income tax | | 7 | 121 | 5,810 | 2,120 | 25,719 | |
| Adjustments for: | | | | | | | |
| Bank interest income | 8 | (12) | (1) | — | — | (31) | |
| Depreciation of property, plant and equipment | 9 | — | 6 | 308 | 152 | 671 | |
| Written off of bearer plants | 9 | — | — | 359 | — | 1 | |
| Written off of consumables | 9 | — | — | 360 | — | — | |
| Gain arising from changes in fair value less costs to sell of biological assets | 14 | — | (1,421) | (3,953) | (3,953) | (20,697) | |
| Operating (loss)/profit before working capital changes | | (5) | (1,295) | 2,884 | (1,681) | 5,663 | |
| (Increase)/decrease in biological assets | | — | (3,639) | 1,290 | 573 | (1,846) | |
| (Increase)/decrease in inventories and consumables | | — | (318) | 4,699 | (244) | 8,169 | |
| (Increase)/decrease in trade receivables | | — | (2,195) | (8,605) | 1,222 | (6,484) | |
| (Increase)/decrease in prepayments and other receivables | | (425) | 36 | (879) | 364 | (3,459) | |
| Increase in trade payables | | — | — | 5,939 | 3,542 | 3,958 | |
| Increase in receipt in advance, accruals and other payables | | 4 | 1,755 | 3,161 | 911 | 1,191 | |
| Cash (used in)/generated from operations | | (426) | (5,656) | 8,489 | 4,687 | 7,192 | |
| Income tax paid | | — | — | — | — | — | |
| <i>Net cash (used in)/from operating activities</i> | | (426) | (5,656) | 8,489 | 4,687 | 7,192 | |

| | Notes | For the period from 30 September 2013 (date of establishment) to 31 December 2013 | | Year ended 31 December | | Six months ended 30 June | |
|---|-------|---|-----------------|------------------------|-------------------|--------------------------|---------|
| | | 2013 | 2014 | 2015 | 2015 | 2016 | |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cash flows from investing activities | | | | | | | |
| Interest received | | 12 | 1 | — | — | — | 31 |
| Purchases of property, plant and equipment | | — | (43) | (6,422) | (2,922) | (7,137) | (7,137) |
| Payments for bearer plants | | — | (22,868) | (13,972) | (6,277) | (9,723) | (9,723) |
| Deferred government grants received | | — | — | 460 | 460 | — | — |
| <i>Net cash from/(used in) investing activities</i> | | <u>12</u> | <u>(22,910)</u> | <u>(19,934)</u> | <u>(8,739)</u> | <u>(16,829)</u> | |
| Cash flows from financing activities | | | | | | | |
| Proceeds from issue of shares | | 10,000 | — | — | — | — | — |
| Capital injection | | — | — | — | — | — | 40,088 |
| (Increase)/decrease in amounts due from related parties | | (350) | — | — | 3 | 17 | 17 |
| Increase in amounts due to related parties | | — | 347 | 418 | — | 1,453 | 1,453 |
| Proceeds from loans payables from related parties | | 1,000 | 17,985 | 7,470 | 5,610 | — | — |
| Proceeds from other loans payables | | — | — | 6,855 | — | 2,500 | 2,500 |
| Repayments of other loans payables | | — | — | (200) | (200) | (4,100) | (4,100) |
| Repayments of loans payables from related parties | | — | — | (2,571) | (810) | (5,000) | (5,000) |
| <i>Net cash from financing activities</i> | | <u>10,650</u> | <u>18,332</u> | <u>11,972</u> | <u>4,603</u> | <u>34,958</u> | |
| Net increase/(decrease) in cash and cash equivalents | | <u>10,236</u> | <u>(10,234)</u> | <u>527</u> | <u>551</u> | <u>25,321</u> | |
| Cash and cash equivalents at beginning of period/year | | <u>—</u> | <u>10,236</u> | <u>2</u> | <u>2</u> | <u>529</u> | |
| Cash and cash equivalents at end of period/year | | <u><u>10,236</u></u> | <u><u>2</u></u> | <u><u>529</u></u> | <u><u>553</u></u> | <u><u>25,850</u></u> | |

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Guangdong Dahe was established in the PRC on 30 September 2013. Guangdong Dahe's registered office is located at 2nd Floor, Self-built House of Guoxiaoqing, Beijing Road, Jiuqutang, Baijiupeng Village, Jianjiang District, Huazhou City. Guangdong Dahe is principally engaged in the cultivation, research, processing and sales of exocarpium citri grandis and its seedlings in the PRC.

2. BASIS OF PREPARATION

(a) *Statement of compliance*

The Financial Information on page III-4 to III-44 have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the Financial Information includes applicable disclosures required by the Listing Rules.

The HKICPA has issued a number of new and revised HKFRS. For the purpose of preparing this Financial Information, Guangdong Dahe has adopted all applicable new and revised HKFRS to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2016.

(b) *Basis of measurement and going concern assumption*

The Financial Information has been prepared under the historical cost basis except for biological assets excluding bearer plants, which are measured at fair values as explained in the accounting policies set out below.

At 31 December 2015, Guangdong Dahe's current liabilities exceeded its current assets by approximately RMB4,326,000. The directors of Guangdong Dahe considered that Guangdong Dahe would be able to meet its financial obligations as they fell due for twelve months from 31 December 2015, on the basis that the capital injection of RMB40,000,000 by Vast Bloom Investment Limited on 4 January 2016.

During the Relevant Periods, two litigations were in negotiations in relation to Guangdong Dahe's relevant forestry rights upon six parcels of woodlands with total area of 2,151.36 mu (the "Woodlands"), of which Guangdong Dahe is principally engaged in its cultivation, research, processing and sales of exocarpium citri grandis and its seedlings in the Woodlands. The above matters and conditions are in relation to the continuous usage of the Woodlands and ownership of assets in the Woodlands for its business operation in the Relevant Periods.

Subsequent to the Relevant Periods on 8 October 2016, the Relevant Counterparties (as below-mentioned in note 32) have entered into a settlement agreement (the "Settlement Agreement"). Pursuant to the Settlement Agreement, Guangdong Dahe has the legal right to use the Woodlands and to own and use the forestry trees on the Woodlands, the Relevant Counterparties have no disagreements in respect of the complete and exclusive interests in Guangdong Dahe and they shall not make any claim against Guangdong Dahe in respect of the Woodlands. Based on the advice of the Company's PRC legal adviser, the Settlement Agreement is valid and legally binding, and the relevant litigations as included in the Settlement Agreement have been finally and conclusively settled. Details have been disclosed in note 32 to the Financial Information.

(c) *Functional and presentation currency*

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of Guangdong Dahe.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRS

The following new/revised HKFRS, potentially relevant to the Financial Information, have been issued, but are not yet effective and have not been early adopted by Guangdong Dahe.

| | |
|-----------------------|--|
| Amendments to HKAS 7 | Statement of Cash Flows ¹ |
| Amendments to HKAS 12 | Income Taxes ¹ |
| HKFRS 9 (2014) | Financial Instruments ² |
| HKFRS 15 | Revenue from Contracts with Customers ² |
| HKFRS 16 | Lease ³ |

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in the Financial Information.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Guangdong Dahe has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to Guangdong Dahe. Guangdong Dahe is not yet in a position to state whether these new pronouncements will result in substantial changes to Guangdong Dahe's accounting policies and financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES**(a) Property, plant and equipment**

Property, plant and equipment, other than bearer plants and construction in progress, are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Guangdong Dahe and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

| | |
|--|------------|
| Plant and machinery | 5–10 years |
| Furniture, office equipment and motor vehicles | 3–5 years |
| Bearer plants | 15 years |

A bearer plant is a living plant that:

- (i) is used in the production or supply of agricultural produce;
- (ii) is expected to bear produce for more than one period; and
- (iii) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants comprise fruit trees of *exocarpium citri grandis* (“Fruit Trees”) in Woodlands, of which the Forestry Rights Certificates have been issued to Guangdong Dahe for the purpose of the plantation of *exocarpium citri grandis* involved in the agricultural activities of the biological transformation of bearer plants for production of agricultural produce for sale or further processing.

Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment before they are in the location and condition necessary to be capable of operating in the manner intended by the management.

Construction in progress is stated at cost less impairment losses. Construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset’s estimated recoverable amount.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(b) Biological assets

A biological asset is a living animal or plant managed by an enterprise which is involved in the agricultural activity of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. The biological assets of Guangdong Dahe relate to the following:

- (i) Consumable biological assets — *Exocarpium citri grandis* growing on bearer plants (“Growing Produce”) and seedlings of *exocarpium citri grandis* (“Seedlings”)
- (ii) Agricultural produce — Harvested *exocarpium citri grandis* (“Fresh Fruits”)

The consumable biological assets relate to Growing Produce and Seedlings, which are current assets, because they can be sold at anytime not depending on the age. Growing Produce and Seedlings are stated at fair value less estimated costs to sell. A gain or loss arising on initial recognition of biological assets at fair value less costs to sell and from a change in fair values less costs to sell is recognised in the profit or loss.

Agricultural produce harvested from bearer plants is measured at their fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying HKAS 2 Inventories. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

(c) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if Guangdong Dahe determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Guangdong Dahe as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(d) Financial Instruments**(i) Financial assets**

Guangdong Dahe classifies its financial assets at initial recognition, depending on the purpose for which the assets were acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Impairment loss on financial assets

Guangdong Dahe assesses, at the end of reporting periods, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

Guangdong Dahe classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accruals, other payables, amounts due to related parties, other loans payables and loans payables from related parties are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of financial asset or financial liability and of allocating interest income or interest expense over the Relevant Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by Guangdong Dahe are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

Guangdong Dahe derecognises a financial asset when the contractual right to the future cash flows in relation to the financial asset expires or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

(e) Inventories and consumables

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Consumables for own consumption are stated at cost. Cost is determined using the weighted average method.

(f) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand.

(g) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods. Provided it is probable that the economic benefits will flow to Guangdong Dahe and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- (i) Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that Guangdong Dahe maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods and customer has accepted the goods.
- (ii) Interest income is recognised on a time-proportion basis using the effective interest method.

(h) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

(i) Employee benefits*Retirement benefits*

Retirement benefits to employees are provided through defined contribution plans.

The employees are required to participate in central pension scheme operated by the local municipal governments. Guangdong Dahe is required to contribute certain percentage of its payroll costs to the central pension schemes in the PRC.

Contributions are recognised as an expense in profit or loss as employees render services during the year.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(j) Impairment of non-financial assets (other than financial assets)

At the end of reporting periods, Guangdong Dahe reviews the carrying amount of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(k) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that Guangdong Dahe will comply with the conditions attaching to them. Grants that compensate Guangdong Dahe for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate Guangdong Dahe for the cost of an asset are deferred and recognised in profit or loss over the useful life of the asset.

(l) Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Guangdong Dahe has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(n) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the Financial Information provided regularly to Guangdong Dahe's most senior executive management for the purposes of allocating resources to, and assessing the performance of, Guangdong Dahe's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to sell the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Guangdong Dahe manages its business mainly in a single segment, namely sales of exocarpium citri grandis and its seedlings. Accordingly, no operating segment information is presented.

Guangdong Dahe operates its business and maintains its assets in the PRC, therefore all of Guangdong Dahe's revenue and other income are from the PRC and all of Guangdong Dahe's non-current assets are located in the PRC. Accordingly, no geographic segment information is presented.

(o) Related parties

- (a) A person or a close member of that person's family is related to Guangdong Dahe if that person:
- (i) has control or joint control over Guangdong Dahe;
 - (ii) has significant influence over Guangdong Dahe; or
 - (iii) is a member of key management personnel of Guangdong Dahe or Guangdong Dahe's parent.
- (b) An entity is related to Guangdong Dahe if any of the following conditions apply:
- (i) The entity and Guangdong Dahe are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of Guangdong Dahe or an entity related to Guangdong Dahe.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to Guangdong Dahe or to Guangdong Dahe's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of Guangdong Dahe's accounting policies, the directors of Guangdong Dahe are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Useful life of property, plant and equipment

Guangdong Dahe determines the estimated useful lives and related depreciation charges for Guangdong Dahe's property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Guangdong Dahe will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Fair value measurement

Certain assets included in the Financial Information require measurement at, and/or disclosure of, fair value.

The fair value measurement of Guangdong Dahe's non-financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Guangdong Dahe measures biological assets except for bearer plants at fair value.

For more detailed information in relation to the fair value measurement of the item above, please refer to the applicable notes.

(c) Impairment loss for non-financial assets

Guangdong Dahe assesses whether there are any indicators of impairment for all non-financial assets at the end of reporting periods. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating units and choose a suitable discount rate in order to calculate the present value to those cash flows.

6. SEGMENT INFORMATION

Guangdong Dahe determines its operating segments based on the reports reviewed by Guangdong Dahe's directors that are used to make strategic decisions. During the Relevant Periods, Guangdong Dahe principally operates in one operating segment.

Guangdong Dahe's customer base is diversified and includes only the following customers with whom transactions exceeded 10% of Guangdong Dahe's revenue. During the Relevant Periods, revenue derived from these customers is as follows:

| | For the period from 30 September 2013 (date of establishment) to 31 December 2013 RMB'000 | Year ended 31 December | | Six months ended 30 June | |
|------------|--|------------------------|-----------------|--------------------------------|-----------------|
| | | 2014 RMB'000 | 2015 RMB'000 | 2015 RMB'000 (Unaudited) | 2016 RMB'000 |
| Customer A | N/A | N/A | 10,273 | N/A | N/A |
| Customer B | N/A | N/A | 2,676 | N/A | 5,440 |
| Customer C | N/A | N/A | 2,047 | N/A | N/A |
| Customer D | N/A | N/A | N/A | 271 | N/A |
| Customer E | N/A | N/A | N/A | N/A | 11,560 |
| Customer F | N/A | N/A | N/A | N/A | 4,015 |

7. REVENUE

Guangdong Dahe is principally engaged in the cultivation, research, processing and sale of exocarpium citri grandis and its seedlings in the PRC.

Revenue from Guangdong Dahe's principal activities during the Relevant Periods is as follows:

| | For the period from 30 September 2013 (date of establishment) to 31 December 2013 RMB'000 | Year ended 31 December | | Six months ended 30 June | |
|--|--|------------------------|-----------------|--------------------------------|-----------------|
| | | 2014 RMB'000 | 2015 RMB'000 | 2015 RMB'000 (Unaudited) | 2016 RMB'000 |
| Sales of Seedlings | — | 2,195 | 5,231 | 2,190 | 4,926 |
| Sales of dried exocarpium citri grandis ("Dried Fruits") | — | — | 14,996 | — | 22,750 |
| | — | 2,195 | 20,227 | 2,190 | 27,676 |

8. OTHER INCOME AND GAINS

| | For the period from 30 September 2013 (date of establishment) to 31 December 2013 RMB'000 | Year ended 31 December | | Six months ended 30 June | |
|----------------------|--|------------------------|-----------------|--------------------------------|-----------------|
| | | 2014 RMB'000 | 2015 RMB'000 | 2015 RMB'000 (Unaudited) | 2016 RMB'000 |
| Bank interest income | 12 | 1 | — | — | 31 |
| Exchange gain | — | — | — | — | 44 |
| Others (Note) | — | — | — | — | 1,000 |
| | <u>12</u> | <u>1</u> | <u>—</u> | <u>—</u> | <u>1,075</u> |

Note: Others comprised gain on disposal of scraps.

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

| | For the period from 30 September 2013 (date of establishment) to 31 December 2013 RMB'000 | Year ended 31 December | | Six months ended 30 June | |
|--|--|------------------------|-----------------|--------------------------------|-----------------|
| | | 2014 RMB'000 | 2015 RMB'000 | 2015 RMB'000 (Unaudited) | 2016 RMB'000 |
| Auditors' remuneration | — | — | 33 | — | 15 |
| Cost of inventories recognised as expense | — | 1,062 | 8,284 | 1,260 | 11,577 |
| Depreciation of property, plant and equipment (Note) | — | 6 | 308 | 152 | 671 |
| Plantation cost of mature bearer plants (Note) | — | — | 3,355 | 1,507 | 9,982 |
| Written off of bearer plants | — | — | 359 | — | 1 |
| Written off of consumables | — | — | 360 | — | — |
| Operating lease charges in respect of the Woodlands | 4 | 34 | 44 | 22 | 22 |
| Employee costs (including directors' remunerations (Note 12)): | | | | | |
| — Salaries, wages and other benefits | — | 1,766 | 3,837 | 1,146 | 1,893 |
| — Contributions to defined contribution plans | — | 281 | 342 | 168 | 147 |
| | <u>—</u> | <u>281</u> | <u>342</u> | <u>168</u> | <u>147</u> |

Note: Depreciation of property, plant and equipment and plantation cost of mature bearer plants are included in other operating expenses.

10. INCOME TAX EXPENSE

No PRC enterprise income tax has been provided as Guangdong Dahe did not have assessable profits during the Relevant Periods. The provision for PRC enterprise income tax for is based on the respective applicable rates on the estimated assessable income of Guangdong Dahe in the PRC as determined in accordance with the relevant income tax laws, rules and regulations of the PRC. According to the PRC tax law, its rules and regulations, enterprises that engage in certain qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption on profits derived from such business. Guangdong Dahe located in the PRC engaged in qualifying agricultural business is entitled to full exemption of enterprise income tax.

The income tax expense for the Relevant Periods can be reconciled to the profit before income tax per the statements of comprehensive income as follows:

| | For the period from 30 September 2013 (date of establishment) to | Year ended 31 December | | Six months ended 30 June | |
|--|--|------------------------|-----------------|--------------------------------|-----------------|
| | 31 December 2013 RMB'000 | 2014 RMB'000 | 2015 RMB'000 | 2015 RMB'000 (Unaudited) | 2016 RMB'000 |
| Profit before income tax | 7 | 121 | 5,810 | 2,120 | 25,719 |
| Tax calculated at the domestic tax rate of 25% | 2 | 30 | 1,453 | 530 | 6,430 |
| Effect of tax exemption granted | (2) | (30) | (1,453) | (530) | (6,430) |
| Income tax expense | — | — | — | — | — |

11. DIVIDENDS

No dividend has been paid or declared by Guangdong Dahe during the Relevant Periods.

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' remunerations

The remuneration of each of the directors for the Relevant Periods is set out below:

| For the period from 30 September 2013 (date of establishment) to 31 December 2013 | Fees | Salaries, allowances and other benefits | Discretionary bonuses | Defined contribution plans | Total |
|--|----------|---|--------------------------|----------------------------------|------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Mr. Zeng Bin | — | — | — | — | — |
| Mr. Su Hang | — | — | — | — | — |
| Ms. Jiang Yan | — | — | — | — | — |
| Ms. Luo Xuan | — | — | — | — | — |
| Ms. Yu Linying | — | — | — | — | — |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Year ended 31 December 2014 | Fees | Salaries, allowances and other benefits | Discretionary bonuses | Defined contribution plans | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Mr. Zeng Bin (<i>Note i</i>) | — | — | — | — | — |
| Mr. Su Hang | — | 30 | — | — | 30 |
| Ms. Jiang Yan | — | — | — | — | — |
| Ms. Luo Xuan | — | — | — | — | — |
| Ms. Yu Linying (<i>Note i</i>) | — | — | — | — | — |
| Mr. Zhuang Housong (<i>Note ii</i>) | — | — | — | — | — |
| Mr. Zhang Yue (<i>Note ii</i>) | — | — | — | — | — |
| | <u>—</u> | <u>30</u> | <u>—</u> | <u>—</u> | <u>30</u> |
| | <u>—</u> | <u>30</u> | <u>—</u> | <u>—</u> | <u>30</u> |
| Year ended 31 December 2015 | Fees | Salaries, allowances and other benefits | Discretionary bonuses | Defined contribution plans | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Mr. Su Hang | — | 35 | — | — | 35 |
| Ms. Jiang Yan | — | 29 | — | — | 29 |
| Ms. Luo Xuan | — | 26 | — | — | 26 |
| Mr. Zhuang Housong (<i>Note iii</i>) | — | 22 | — | — | 22 |
| Mr. Zhang Yue | — | 34 | — | — | 34 |
| Mr. Chen Jianfeng (<i>Note iv</i>) | — | — | — | — | — |
| | <u>—</u> | <u>146</u> | <u>—</u> | <u>—</u> | <u>146</u> |
| | <u>—</u> | <u>146</u> | <u>—</u> | <u>—</u> | <u>146</u> |

| Period ended 30 June 2015 (Unaudited) | Salaries, allowances and other benefits | | Discretionary bonuses | Defined contribution plans | Total |
|---|---|---------|--------------------------|----------------------------------|-------|
| | Fees RMB'000 | RMB'000 | | | |
| Mr. Su Hang | — | 18 | — | — | 18 |
| Ms. Jiang Yan | — | 14 | — | — | 14 |
| Ms. Luo Xuan | — | 13 | — | — | 13 |
| Mr. Zhuang Housong | — | 12 | — | — | 12 |
| Mr. Zhang Yue | — | 16 | — | — | 16 |
| | — | 73 | — | — | 73 |
| | — | 73 | — | — | 73 |
| Period ended 30 June 2016 | Salaries, allowances and other benefits | | Discretionary bonuses | Defined contribution plans | Total |
| | Fees RMB'000 | RMB'000 | | | |
| Mr. Su Hang (<i>Note v</i>) | — | 3 | — | — | 3 |
| Ms. Jiang Yan | — | 18 | — | — | 18 |
| Ms. Luo Xuan (<i>Note v</i>) | — | 3 | — | — | 3 |
| Mr. Zhang Yue (<i>Note v</i>) | — | 3 | — | — | 3 |
| Mr. Chen Jianfeng (<i>Note v</i>) | — | 3 | — | — | 3 |
| Mr. Zhuang Botian (<i>Note vi</i>) | — | 12 | — | — | 12 |
| Mr. Qin Jianzhi (<i>Note vi</i>) | — | — | — | — | — |
| Mr. He Xiaoyang (<i>Note vi</i>) | — | — | — | — | — |
| Mr. Su Long (<i>Note vi</i>) | — | — | — | — | — |
| | — | 42 | — | — | 42 |
| | — | 42 | — | — | 42 |

Notes:

- (i) resigned as directors on 20 December 2014.
- (ii) appointed as directors on 20 December 2014.
- (iii) resigned as a director on 22 December 2015.
- (iv) appointed as a director on 22 December 2015.
- (v) resigned as directors on 3 January 2016.
- (vi) appointed as directors on 3 January 2016.

There is no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by Guangdong Dahe to the directors as an inducement to join or upon joining Guangdong Dahe, or as compensation for loss of office.

(b) Five highest paid individuals

The five highest paid individuals in Guangdong Dahe for the Relevant Periods include none of the directors for the period from 30 September 2013 (date of establishment) to 31 December 2013, one director for the year ended 31 December 2014, two directors for the year ended 31 December 2015, two directors for the period ended 30 June 2015 and none of the directors for the period ended 30 June 2016, details of whose emoluments have been disclosed in note (a) above.

The remaining individuals during the Relevant Periods are as follows:

| | For the period from 30 September 2013 (date of establishment) to 31 December 2013 RMB'000 | Year ended 31 December | | Six months ended 30 June | |
|----------------------------------|---|------------------------|-----------------|--------------------------------|-----------------|
| | | 2014 RMB'000 | 2015 RMB'000 | 2015 RMB'000 (Unaudited) | 2016 RMB'000 |
| Salaries and other emoluments | — | 148 | 162 | 76 | 97 |
| Defined contribution plans | — | — | 6 | — | 10 |
| | — | 148 | 168 | 76 | 107 |

The emoluments of non-director highest paid individuals fell within the following bands:

| | For the period from 30 September 2013 (date of establishment) to 31 December 2013 | Year ended 31 December | | Six months ended 30 June | |
|-------------------|---|------------------------|------|--------------------------|------|
| | | 2014 | 2015 | 2015 (Unaudited) | 2016 |
| Nil to RMB500,000 | — | 4 | 3 | 3 | 5 |
| | — | 4 | 3 | 3 | 5 |

13. PROPERTY, PLANT AND EQUIPMENT

| | Plant and equipment <i>RMB'000</i> | Furniture and office equipment <i>RMB'000</i> | Motor vehicles <i>RMB'000</i> | Bearer plants <i>RMB'000</i> | Construction in progress <i>RMB'000</i> | Total <i>RMB'000</i> |
|------------------------------------|--|--|-------------------------------------|------------------------------------|---|-------------------------|
| At 30 September 2013 | | | | | | |
| (date of establishment), | | | | | | |
| 31 December 2013 and | | | | | | |
| 1 January 2014 | | | | | | |
| Cost | — | — | — | — | — | — |
| Accumulated depreciation | — | — | — | — | — | — |
| Net carrying amount | — | — | — | — | — | — |
| Year ended | | | | | | |
| 31 December 2014 | | | | | | |
| Opening net carrying amount | — | — | — | — | — | — |
| Additions | 2 | 3 | 38 | 22,868 | — | 22,911 |
| Depreciation | — | (1) | (5) | — | — | (6) |
| Closing net carrying amount | 2 | 2 | 33 | 22,868 | — | 22,905 |
| At 31 December 2014 and | | | | | | |
| 1 January 2015 | | | | | | |
| Cost | 2 | 3 | 38 | 22,868 | — | 22,911 |
| Accumulated depreciation | — | (1) | (5) | — | — | (6) |
| Net carrying amount | 2 | 2 | 33 | 22,868 | — | 22,905 |

| | Plant and equipment <i>RMB'000</i> | Furniture and office equipment <i>RMB'000</i> | Motor vehicles <i>RMB'000</i> | Bearer plants <i>RMB'000</i> | Construction in progress <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|--|--|-------------------------------------|------------------------------------|---|-------------------------|
| Year ended | | | | | | |
| 31 December 2015 | | | | | | |
| Opening net carrying amount | 2 | 2 | 33 | 22,868 | — | 22,905 |
| Additions | 1,583 | — | 260 | 13,972 | 4,579 | 20,394 |
| Depreciation | (1) | (1) | (11) | (295) | — | (308) |
| Written off | — | — | — | (359) | — | (359) |
| Closing net carrying amount | 1,584 | 1 | 282 | 36,186 | 4,579 | 42,632 |
| At 31 December 2015 and 1 January 2016 | | | | | | |
| Cost | 1,585 | 3 | 298 | 36,481 | 4,579 | 42,946 |
| Accumulated depreciation | (1) | (2) | (16) | (295) | — | (314) |
| Net carrying amount | 1,584 | 1 | 282 | 36,186 | 4,579 | 42,632 |
| Six months ended | | | | | | |
| 30 June 2016 | | | | | | |
| Opening net carrying amount | 1,584 | 1 | 282 | 36,186 | 4,579 | 42,632 |
| Additions | 10,038 | 33 | — | 9,723 | 6,252 | 26,046 |
| Transfer | 2,416 | — | — | — | (2,416) | — |
| Depreciation | (80) | (3) | (30) | (558) | — | (671) |
| Written off | — | — | — | (1) | — | (1) |
| Closing net carrying amount | 13,958 | 31 | 252 | 45,350 | 8,415 | 68,006 |
| At 30 June 2016 | | | | | | |
| Cost | 14,039 | 36 | 298 | 46,203 | 8,415 | 68,991 |
| Accumulated depreciation | (81) | (5) | (46) | (853) | — | (985) |
| Net carrying amount | 13,958 | 31 | 252 | 45,350 | 8,415 | 68,006 |

Bearer plants represent fruit trees on the Woodlands located in Huazhou City in the PRC, of which the Forestry Rights Certificates have been issued to Guangdong Dahe for the purpose of plantation of *exocarpium citri grandis*. Guangdong Dahe has entered into agreements with relevant local village economic cooperatives and obtained Forestry Rights Certificates in respect of five parcels of woodlands with a total area of 2,035.36 mu, which entitle Guangdong Dahe to use these woodlands until 1 October 2034. The ownerships of these woodlands are held respectively by five local village economic cooperatives in Huazhou City. Pursuant to an agreement dated 12 December 2013 entered into by Guangdong Dahe and another local village economic cooperative, being the owner of the sixth parcel of woodland with an area of 116 mu, Guangdong Dahe has been contracted the rights to use such woodland and the rights to own and use the forestry trees on such woodland for the period from 1 October 2013 to 1 December 2034.

Guangdong Dahe is in process of obtaining the Forestry Rights Certificate for the sixth parcel of woodland. In the opinion of the directors of Guangdong Dahe, there is no legal impediment for Guangdong Dahe to obtain the aforesaid Forestry Rights Certificate as confirmed by the PRC legal advisor.

During the year ended 31 December 2015, Guangdong Dahe had written off bearer plants of approximately RMB359,000 due to the normal loss and typhoon in Huazhou City. For six months ended 30 June 2016, Guangdong Dahe had written off bearer plants of approximately RMB1,000 due to the normal loss.

Guangdong Dahe is exposed to a number of risks related to Fruits Trees plantation. Details have been disclosed in note 14 to the Financial Information.

14. BIOLOGICAL ASSETS

Biological assets represent Seedlings, Growing Produce and Fresh Fruits.

Biological assets are analysed as follows:

| | Growing Produce <i>RMB'000</i> | Fresh Fruits <i>RMB'000</i> | Seedlings <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|--|---------------------------------------|------------------------------------|--------------------------------|
| At 30 September 2013 (date of establishment), 31 December 2013 and 1 January 2014 | — | — | — | — |
| Net additions | — | 416 | 4,701 | 5,117 |
| Gain arising from changes in fair value less costs to sell* | 416 | 1,005 | — | 1,421 |
| Decrease due to harvest | (416) | — | — | (416) |
| Transfer to inventories | — | (1,421) | — | (1,421) |
| Decrease due to sales | — | — | (1,062) | (1,062) |
| At 31 December 2014 and 1 January 2015 | — | — | 3,639 | 3,639 |
| Net additions | — | 1,507 | 2,108 | 3,615 |
| Gain arising from changes in fair value less costs to sell* | 1,507 | 2,446 | — | 3,953 |
| Decrease due to harvest | (1,507) | — | — | (1,507) |
| Transfer to inventories | — | (3,953) | — | (3,953) |
| Decrease due to sales | — | — | (3,398) | (3,398) |
| At 31 December 2015 and 1 January 2016 | — | — | 2,349 | 2,349 |
| Net additions | — | 9,382 | 4,614 | 13,996 |
| Gain arising from changes in fair value less costs to sell* | 9,982 | 10,715 | — | 20,697 |
| Decrease due to harvest | (9,382) | — | — | (9,382) |
| Transfer to inventories | — | (20,097) | — | (20,097) |
| Decrease due to sales | — | — | (2,768) | (2,768) |
| At 30 June 2016 | <u>600</u> | <u>—</u> | <u>4,195</u> | <u>4,795</u> |

| | As at 31 December | | | As at |
|--|-------------------|---------|---------|---------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| *Included gain from change in fair value less costs to sell for assets held at the end of the reporting period | — | — | — | 1,182 |

The quantities of biological assets at the end of reporting periods are as follows:

| | As at 31 December | | | As at |
|-------------------------------|-------------------|---------|--------|---------|
| | 2013 | 2014 | 2015 | 30 June |
| | | | | 2016 |
| Growing Produce (by quantity) | — | — | — | 93,536 |
| Seedlings (by quantity) | — | 327,947 | 98,073 | 375,677 |

The values of agricultural produce harvested measured at fair value less costs to sell during the Relevant Periods were as follows:

| | For the period from 30 September 2013 (date of establishment) to | | | | |
|---|--|------------------------|---------|--------------------------|---------|
| | 31 December 2013 | Year ended 31 December | | Six months ended 30 June | |
| | RMB'000 | 2014 | 2015 | 2015 | 2016 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Estimated fair value less costs to sell | | | | (Unaudited) | |
| Fresh Fruits | — | 1,421 | 3,953 | 3,953 | 20,097 |
| Estimated quantity (kg) | | | | | |
| Fresh Fruits | — | 33,834 | 82,344 | 82,344 | 365,391 |

The change in fair value of agricultural produce less costs to sell recognised in the statement of profit or loss represents the difference between the estimated fair value less costs to sell and costs incurred for plantation of agricultural produce.

Greater China Appraisal Limited, an independent valuer, was engaged to determine the fair value of biological assets at the end of reporting periods. The valuation methodology used to determine the fair value of biological assets is in compliance with both HKAS 41, Agriculture, and “The International Valuation Standards (2013 Edition)” published by the International Valuation Standards Council with aims to determine the fair value of a biological asset in its present location and condition.

The fair value measurement of the biological assets for Guangdong Dahe is categorised as level 3 fair value measurement within the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement.

During the Relevant Periods, there was no transfer occurred between levels in the hierarchy.

The movement in the fair value of the assets within level 3 of the hierarchy is as follows:

| | As at 31 December | | | As at |
|--------------------------------|-------------------|---------|---------|----------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Opening balance | | | | |
| (level 3 recurring fair value) | — | — | 3,639 | 2,349 |
| Net additions | — | 5,117 | 3,615 | 13,996 |
| Gain arising from changes in | | | | |
| fair value less costs to sell | — | 1,421 | 3,953 | 20,697 |
| Decrease due to harvest | — | (416) | (1,507) | (9,382) |
| Transfer to inventories | — | (1,421) | (3,953) | (20,097) |
| Decrease due to sales | — | (1,062) | (3,398) | (2,768) |
| Closing balance | | | | |
| (level 3 recurring fair value) | — | 3,639 | 2,349 | 4,795 |

The following unobservable inputs were used to measure Guangdong Dahe's biological assets:

| Description | Valuation technique | Unobservable inputs | Range | | | As at 30 June 2016 | Inter-relationship between key unobservable inputs and fair value Measurement |
|--|---|--------------------------------|-------------------------------|----------------------------|--------------------------|--------------------------|---|
| | | | As at 31 December | | | | |
| | | | 2013 | 2014 | 2015 | | |
| Biological assets (i.e. Fresh Fruits, Growing Produce and Seedlings) | Market approach, with cost approach applied for Growing Produce and Seedlings with no market comparison was available | Prices of similar transactions | Fresh Fruits | — RMB40– RMB44 per kg | RMB45– RMB50 per kg | RMB50– RMB60 per kg | The higher of unobservable inputs, the higher of the fair value less costs to sell determined |
| | | | Growing Produce and Seedlings | — RMB3.1– RMB11.1 per unit | RMB4.6– RMB13.3 per unit | RMB6.4– RMB12.9 per unit | |

The fair value measurement is based on the above biological assets' highest and best use, which does not differ from their actual use.

The higher of market price, the higher the fair value measurement of the biological assets.

The valuation of Fresh Fruits was determined by market approach by reference to prices of similar transactions.

The valuations of Growing Produce and Seedlings were determined by reference to accumulated reproduction cost of Growing Produce and Seedlings with similar size and weight. Accumulated reproduction cost means the cost to reproduce an asset, which is the plantation cost of Growing Produce and Seedlings.

The major assumptions of the valuations of biological assets were made as follows,

- (i) The biological assets were in good and saleable condition as at the end of reporting periods;
- (ii) The growth condition and specification (i.e. size and weight) of biological assets are uniform regardless of the nutritional treatment, soil conditions or sunlight coverage; and
- (iii) No adverse weather condition, plant disease or bacterial infection are materially present by which the growth condition of the biological assets may be impaired.

Guangdong Dahe is exposed to a number of risks related to its plantations:

(i) Environmental factors and natural disasters

The productivity of the biological assets was highly subject to the effect of environment factors such as weather and infectious diseases. Typical risks, including the occurrence of forestry fire, frost, heavy snow, typhoons, pests and infectious diseases, would have a material impact on the productivity, and hence the fair value of the biological assets.

(ii) Fluctuation of prices

The pricing data of the biological assets obtained from the market or the historical selling price provided by the management of Guangdong Dahe was heavily dependent on market competition and consumers' purchasing preference on the biological assets. So the range of price of the biological assets for a particular species could be wide. The timing of supply and demand further heightened the uncertainty of the price estimates for which the product would be sold in a particular year. Competition from online suppliers' platform (e.g. Alibaba and Taobao) may indirectly weaken Guangdong Dahe's bargaining power in recovering the plantation costs plus margin from its customers. As such, the prices may be volatile and subject to various assumptions on inputs.

(iii) Legal rights concerning the use of Woodlands

The legal administrative framework for sub-urban and rural woodlands in the PRC was not as developed as those for urban lands. Thus, there were risks associated with the ownership, leasing and land use rights concerning the validity and legality of the negotiated arrangements between the land owners (i.e. often the farmers) and Guangdong Dahe, hence heightening the uncertainty on the recoverability of the economic value of the biological assets if potential conflicts arise.

(iv) Single product

In the future plan of Guangdong Dahe, the farmlands are designed for full production of *exocarpium citri grandis* only. The equipment and the fertilizers are also bought for this cultivation only. The sole product of Guangdong Dahe would become the major weakness of Guangdong Dahe if there is fade of trend for the *exocarpium citri grandis* or deteriorating quality of *exocarpium citri grandis* would drive out the customers. The inability of diversifying its revenue stream would make Guangdong Dahe suffer if there is no contingent business plan.

15. INVENTORIES AND CONSUMABLES

| | As at 31 December | | | As at |
|--------------|-------------------|---------|---------|---------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Consumables | — | 318 | 18 | 68 |
| Fresh Fruits | — | — | — | 582 |
| Dried Fruits | — | 1,421 | 615 | 11,911 |
| | — | 1,739 | 633 | 12,561 |

16. TRADE RECEIVABLES

| | As at 31 December | | | As at |
|-------------------|-------------------|---------|---------|---------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Trade receivables | — | 2,195 | 10,800 | 17,284 |

Guangdong Dahe's trading terms with its existing customers are mainly on credit. The credit period is, in general, ranging from 0 to 30 days or based on the terms agreed in the relevant sales and rental agreements.

The directors of Guangdong Dahe consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception. At the end of reporting periods, Guangdong Dahe reviewed receivables for evidence of impairment on both an individual and collective basis.

The ageing analysis of trade receivables as at the end of reporting periods, net of impairment, based on invoice dates, is as follows:

| | As at 31 December | | | As at |
|-------------|-------------------|---------|---------|---------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| 0-30 days | — | 572 | 527 | 1,589 |
| 31-60 days | — | 528 | 2,173 | 11,713 |
| 61-90 days | — | 495 | 4,100 | 2,700 |
| 91-365 days | — | 600 | 4,000 | 1,282 |
| | — | 2,195 | 10,800 | 17,284 |

The ageing analysis of the trade receivables that are past due but not impaired is as follows:

| | As at 31 December | | | As at |
|---------------------------------|-------------------|---------|---------|---------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Neither past due nor impaired | — | 572 | 527 | 1,589 |
| Not more than 3 months past due | — | 1,023 | 6,273 | 14,413 |
| Over 3 months past due | — | 600 | 4,000 | 1,282 |
| | — | 2,195 | 10,800 | 17,284 |

Trade receivables that were neither past due nor impaired related to a large number of independent customers that had a good track record of credit with Guangdong Dahe. Trade receivables that were past due but not impaired related to customers that had good track record of repayment with Guangdong Dahe. Management considered that no recoverability problem on such balances after taking into account of subsequent settlement received up to the date of this report. In this respect, the directors of Guangdong Dahe are of the opinion that no allowance for impairment of these trade receivables is necessary as there was no recent history of significant default in respect of these trade debtors. In general, Guangdong Dahe does not hold any collateral or other credit enhancements over these balances.

17. PREPAYMENTS AND OTHER RECEIVABLES

| | As at 31 December | | | As at |
|--------------------------|-------------------|------------|--------------|--------------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Non-current asset | | | | |
| Prepayments | — | — | 953 | 1,800 |
| Current assets | | | | |
| Prepayments | — | 20 | 160 | 295 |
| Other receivables | 425 | 369 | 155 | 2,632 |
| | <u>425</u> | <u>389</u> | <u>315</u> | <u>2,927</u> |
| | <u>425</u> | <u>389</u> | <u>1,268</u> | <u>4,727</u> |

Guangdong Dahe did not hold any collateral as security or other enhancements over other receivables.

18. CASH AND CASH EQUIVALENTS

| | As at 31 December | | | As at |
|---------------------------|-------------------|----------|------------|---------------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Cash at banks and in hand | <u>10,236</u> | <u>2</u> | <u>529</u> | <u>25,850</u> |

All cash at banks and in hand were denominated in RMB. Cash at banks earned interest at floating rates based on daily bank deposit rates.

The remittance of cash out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

19. TRADE PAYABLES

Based on the invoice dates, the ageing analysis of Guangdong Dahe's trade payables at the end of reporting periods is as follows:

| | As at 31 December | | | As at |
|-------------|-------------------|----------|--------------|--------------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| 0-30 days | — | — | 2,323 | 2,022 |
| 31-60 days | — | — | 1,351 | 6,877 |
| 61-90 days | — | — | 2,265 | 996 |
| 91-365 days | — | — | — | 2 |
| | <u>—</u> | <u>—</u> | <u>5,939</u> | <u>9,897</u> |

20. RECEIPT IN ADVANCE, ACCRUALS AND OTHER PAYABLES

| | As at 31 December | | | As at |
|--------------------|-------------------|--------------|--------------|--------------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Receipt in advance | — | — | — | 272 |
| Accruals | 4 | 574 | 2,992 | 2,774 |
| Other payables | — | 1,185 | 1,928 | 3,065 |
| | <u>4</u> | <u>1,759</u> | <u>4,920</u> | <u>6,111</u> |

21. BALANCES WITH RELATED PARTIES**(a) Amounts due from related parties**

The details of amounts due from related parties at the end of reporting periods are as follows:

| | As at 31 December | | | As at |
|------------------------------------|-------------------|----------|-----------|----------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Amount due from a director | — | 3 | — | — |
| Amount due from a shareholder | — | — | 17 | — |
| Amount due from a related party | <u>350</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| | <u>350</u> | <u>3</u> | <u>17</u> | <u>—</u> |

The balances are unsecured, interest-free and repayable on demand.

Particulars of amounts due from directors and related parties disclosed pursuant to the Hong Kong Companies Ordinance are as follows:

| | Maximum outstanding As at 30 September 2013 (date of establishment) RMB'000 | Maximum outstanding balance As at 31 December 2013 RMB'000 | Maximum outstanding balance As at 31 December 2014 RMB'000 | Maximum outstanding balance As at 31 December 2014 RMB'000 | Maximum outstanding balance As at 31 December 2015 RMB'000 | Maximum outstanding balance As at 31 December 2015 RMB'000 | Maximum outstanding balance As at 30 June 2016 RMB'000 |
|------------------------------|---|--|--|--|--|--|--|
| Mr. Zhuang Housong (Note) | — | 350 | 350 | 3 | 3 | — | — |

Note: Mr. Zhuang Housong is the spouse of one of the directors of Guangdong Dahe. He was appointed as the director of Guangdong Dahe for the period from 20 December 2014 to 22 December 2015.

(b) Amounts due to related parties

The details of amounts due to related parties at the end of reporting periods are as follows:

| | As at 31 December | | | As at 30 June 2016 |
|------------------------------------|-------------------|-----------------|-----------------|--------------------------|
| | 2013 RMB'000 | 2014 RMB'000 | 2015 RMB'000 | RMB'000 |
| Amount due to a director | — | — | — | 23 |
| Amount due to a related company | — | — | 73 | 47 |
| Amounts due to related parties | — | — | 359 | 1,815 |
| | — | — | 432 | 1,885 |

The balances were unsecured, interest free and repayable on demand.

Particulars of amounts due to related parties are as follows:

| | As at 31 December | | | As at 30 June 2016 |
|--------------------------------|-------------------|-----------------|-----------------|--------------------------|
| | 2013 RMB'000 | 2014 RMB'000 | 2015 RMB'000 | RMB'000 |
| Name of related parties | | | | |
| Mr. Zhuang Housong (Note i) | — | — | 359 | 1,615 |
| Ms. Li Hua Rong (Note ii) | — | — | — | 200 |

Notes:

- (i) The spouse of one of the directors of Guangdong Dahe.
- (ii) The spouse of the authorised representative (法人代表) of Guangdong Dahe.

22. LOANS PAYABLES FROM RELATED PARTIES

The details of loans from related parties at the end of reporting periods are as follows:

| | As at 31 December | | | As at |
|--|-------------------|---------|---------|---------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Current liabilities | | | | |
| Loan payable from a shareholder | — | — | 155 | — |
| Loans payables from directors | — | — | 160 | 4,878 |
| | — | — | 315 | 4,878 |
| Non-current liabilities | | | | |
| Loans payables from shareholders | 290 | 4,773 | 2,543 | — |
| Loans payables from directors | 410 | 13,662 | 4,620 | 2,600 |
| Loan payables from immediate holding company | 300 | — | — | — |
| Loan payable from a related party (Note) | — | — | 13,781 | 8,781 |
| | 1,000 | 18,435 | 20,944 | 11,381 |

Note: The related party is the spouse of one of the directors of Guangdong Dahe.

| | As at 31 December | | | As at |
|------------------------------|-------------------|---------|---------|---------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Loans repayable: | | | | |
| Within one year | — | — | 315 | 4,878 |
| More than one year, | | | | |
| but not exceeding two years | — | 1,775 | 14,934 | 10,541 |
| More than two years, | | | | |
| but not exceeding five years | 1,000 | 16,660 | 6,010 | 840 |
| | 1,000 | 18,435 | 21,259 | 16,259 |

The loans payables from related parties are unsecured and interest free.

At the end of reporting periods, the relevant loan agreements of outstanding borrowings did not contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

23. OTHER LOANS PAYABLES

The details of other loans payables at the end of reporting periods are as follow:

| | As at 31 December | | | As at |
|--|-------------------|------------|----------------|----------------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Loans repayable: | | | | |
| Within one year | — | — | 7,340 | 7,180 |
| More than one year, but not exceeding two years | — | 550 | 1,940 | — |
| More than two years, but not exceeding five years | — | — | — | 500 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>500</u> |
| Portion classified as current liabilities | <u>—</u> | <u>—</u> | <u>(7,340)</u> | <u>(7,180)</u> |
| Non-current portion | <u>—</u> | <u>550</u> | <u>1,940</u> | <u>500</u> |

The other loans payables were loan balances due to various independent third parties to Guangdong Dahe, which are unsecured and interest free.

At the end of reporting periods, the relevant loan agreements of outstanding borrowings did not contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

24. DEFERRED GOVERNMENT GRANTS

| | As at 31 December | | | As at |
|----------------------------------|-------------------|----------|------------|--------------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| At beginning of the period/year | — | — | — | 460 |
| Additions during the period/year | <u>—</u> | <u>—</u> | <u>460</u> | <u>9,186</u> |
| At end of the period/year | <u>—</u> | <u>—</u> | <u>460</u> | <u>9,646</u> |

Guangdong Dahe's deferred government grants mainly related to acquisition of property, plant and equipment.

Guangdong Dahe does not have any unfulfilled conditions and other contingencies attaching to government assistance in regard to the government grants at the end of reporting periods.

25. SHARE CAPITAL

| | |
|--|----------------|
| Registered and paid-up capital of Guangdong Dahe: | <i>RMB'000</i> |
| At the date of establishment, 31 December 2013, 2014 and 2015 and 1 January 2016 | 10,000 |
| Capital injection | <u>40,000</u> |
| At 30 June 2016 | <u>50,000</u> |

26. RESERVES

Statutory reserve

In accordance with the Company Law of the PRC, Guangdong Dahe registered in the PRC are required to appropriate 10% of the net profit after tax (after offsetting any prior years' losses) determined in accordance with the accounting principles generally accepted in the PRC to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of registered capital after such usages.

Capital reserve

The capital reserve represents capital contribution from a shareholder.

27. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere to this Financial Information, Guangdong Dahe had significant related party transactions during the Relevant Periods as follows:

(a) Details of these transactions are as follows:

| Related party relationship | Type of transaction | For the period from 30 September 2013 (date of establishment) to 31 December | | | Six months ended 30 June | |
|----------------------------|--|---|-----------------|-----------------|--------------------------------|-----------------|
| | | 2013 RMB'000 | 2014 RMB'000 | 2015 RMB'000 | 2015 RMB'000 (Unaudited) | 2016 RMB'000 |
| Related company (Note i) | Sales to the related party | — | — | 2,676 | — | 6,000 |
| Related company (Note ii) | Provision of service to Guangdong Dahe | — | — | 73 | — | 105 |
| Related party (Note iii) | Purchase by Guangdong Dahe | — | — | — | — | 393 |
| Related party (Note iv) | Purchase by Guangdong Dahe | — | — | — | — | 295 |

Notes:

- (i) The related company had a common director with Guangdong Dahe for the period from 16 October 2014 to 23 June 2016.
- (ii) The sole director of the related company was also one of the directors of Guangdong Dahe for the period from 19 July 2012 to 27 June 2016.
- (iii) The related party is the close family member of one of the directors of Guangdong Dahe.
- (iv) The related party is the spouse of the authorised representative (法人代表) of Guangdong Dahe.

The related party transactions shown above are the full amount of the transactions for the Relevant Periods. The transactions were initiated when the counterparties were regarded as related companies or related parties in accordance to HKAS 24. The relationships between the counterparties and Guangdong Dahe were ceased when the aforesaid transactions were completed.

The directors of Guangdong Dahe consider disclosing the full transaction amounts during the Relevant Periods.

The above transactions were conducted in accordance with the terms mutually agreed between Guangdong Dahe and the related parties.

(b) Key management personnel compensation

Key management personnel are the directors of Guangdong Dahe. Details of the directors' remuneration are disclosed in note 12 to the Financial Information.

28. COMMITMENTS

(i) Operating lease arrangement — as lessee

Operating lease payments represent rental payable by Guangdong Dahe for the Woodlands in which plantations are situated. The leases for the plantation bases are expired in 2034. None of the leases include contingent rentals.

At the end of reporting periods, Guangdong Dahe had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | As at 31 December | | | As at |
|--|-------------------|------------|------------|------------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Within one year | 44 | 38 | 26 | 32 |
| In the second to fifth years, inclusive | 174 | 178 | 167 | 171 |
| After five years | <u>654</u> | <u>659</u> | <u>567</u> | <u>523</u> |
| | <u>872</u> | <u>875</u> | <u>760</u> | <u>726</u> |

(ii) Capital commitment

| | As at 31 December | | | As at |
|---|-------------------|------------|--------------|--------------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Acquisition of property, plant and equipment — contracted but not provided for | <u>—</u> | <u>130</u> | <u>1,817</u> | <u>2,149</u> |
| | <u>—</u> | <u>130</u> | <u>1,817</u> | <u>2,149</u> |

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

Guangdong Dahe is exposed to a variety of financial risks in its ordinary course of operations. The financial risks include market risk (mainly price risk), credit risk and liquidity risk. Details are disclosed in the notes below. Guangdong Dahe's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Guangdong Dahe's financial performance. Risk management is carried out by key management under the policies approved by the directors of Guangdong Dahe. Guangdong Dahe does not have written risk management policies. However, the directors of Guangdong Dahe meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks in a timely and effective manner. The risks associated with these financial instruments and the policies applied by Guangdong Dahe to mitigate these risks are set out below.

(a) Summary of financial assets and liabilities by category

The carrying amounts of Guangdong Dahe's financial assets and liabilities recognised in the statements of financial position at the reporting dates may also be categorised as follows:

| | As at 31 December | | | As at |
|-------------------------------------|-------------------|---------------|---------------|---------------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Financial assets | | | | |
| Loans and receivables: | | | | |
| Trade receivables | — | 2,195 | 10,800 | 17,284 |
| Other receivables | 425 | 369 | 155 | 2,632 |
| Amounts due from related parties | 350 | 3 | 17 | — |
| Cash and cash equivalents | 10,236 | 2 | 529 | 25,850 |
| | <u>11,011</u> | <u>2,569</u> | <u>11,501</u> | <u>45,766</u> |
| Financial liabilities | | | | |
| At amortised costs: | | | | |
| Trade payables | — | — | 5,939 | 9,897 |
| Accruals and other payables | 4 | 1,759 | 4,920 | 5,839 |
| Amounts due to related parties | — | — | 432 | 1,885 |
| Loans payables from related parties | 1,000 | 18,435 | 21,259 | 16,259 |
| Other loans payables | — | 550 | 9,280 | 7,680 |
| | <u>1,004</u> | <u>20,744</u> | <u>41,830</u> | <u>41,560</u> |

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to Guangdong Dahe. Guangdong Dahe's exposure to credit risk mainly arises from credit to customers in the ordinary course of its business. The five largest trade debtors, in aggregate, contributed approximately RMB786,000 or 36% as at 31 December 2014, RMB10,672,000 or 99% as at 31 December 2015 and RMB16,856,000 or 98% as at 30 June 2016 respectively, to Guangdong Dahe's total trade receivables. Guangdong Dahe continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credits risk controls. Guangdong Dahe's policy is to deal only with creditworthy counterparties and customers.

Guangdong Dahe's management considers that all the above financial assets that are not impaired under review are of good credit quantity, including those that are past due.

None of Guangdong Dahe's financial assets are secured by collateral or other credit enhancement.

The credit risk for bank deposits and balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(c) **Liquidity risk**

Guangdong Dahe is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flows management. Guangdong Dahe's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details Guangdong Dahe's remaining contractual maturities of Guangdong Dahe's financial liabilities which are based on undiscounted cash flows and the earliest date Guangdong Dahe can be required to pay are summarised below.

| | Carrying amount RMB'000 | Total contractual undiscounted cash flow RMB'000 | On demand RMB'000 | Less than one year RMB'000 | More than one year RMB'000 |
|--|-------------------------------|--|----------------------|----------------------------------|----------------------------------|
| At 31 December 2013 | | | | | |
| Accruals and other payables | 4 | 4 | 4 | — | — |
| Loans payables from related parties | 1,000 | 1,000 | — | — | 1,000 |
| | <u>1,004</u> | <u>1,004</u> | <u>4</u> | <u>—</u> | <u>1,000</u> |
| At 31 December 2014 | | | | | |
| Accruals and other payables | 1,759 | 1,759 | 1,759 | — | — |
| Loans payables from related parties | 18,435 | 18,435 | — | — | 18,435 |
| Other loans payables | 550 | 550 | — | — | 550 |
| | <u>20,744</u> | <u>20,744</u> | <u>1,759</u> | <u>—</u> | <u>18,985</u> |
| At 31 December 2015 | | | | | |
| Trade payables | 5,939 | 5,939 | — | 5,939 | — |
| Accruals and other payables | 4,920 | 4,920 | 4,920 | — | — |
| Amounts due to related parties | 432 | 432 | 432 | — | — |
| Loans payables from related parties | 21,259 | 21,259 | — | 315 | 20,944 |
| Other loans payables | 9,280 | 9,280 | — | 7,340 | 1,940 |
| | <u>41,830</u> | <u>41,830</u> | <u>5,352</u> | <u>13,594</u> | <u>22,884</u> |

| | Carrying amount RMB'000 | Total contractual undiscounted cash flow RMB'000 | On demand RMB'000 | Less than one year RMB'000 | More than one year RMB'000 |
|--|-------------------------------|--|----------------------|----------------------------------|----------------------------------|
| At 30 June 2016 | | | | | |
| Trade payables | 9,897 | 9,897 | — | 9,897 | — |
| Accruals and other payables | 5,839 | 5,839 | 5,839 | — | — |
| Amounts due to related parties | 1,885 | 1,885 | 1,885 | — | — |
| Loans payables from related parties | 16,259 | 16,259 | — | 4,878 | 11,381 |
| Other loans payables | <u>7,680</u> | <u>7,680</u> | <u>—</u> | <u>7,180</u> | <u>500</u> |
| | <u>41,560</u> | <u>41,560</u> | <u>7,724</u> | <u>21,955</u> | <u>11,881</u> |

30. CAPITAL MANAGEMENT

Guangdong Dahe manages its capital to ensure that Guangdong Dahe will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Guangdong Dahe's overall strategy remains unchanged throughout the years.

Guangdong Dahe sets the amount of capital in proportion to its overall financing structure. Guangdong Dahe manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Guangdong Dahe may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The total debt to equity ratio at the end of reporting periods was as follows:

| | As at 31 December | | | As at |
|-------------------------------------|-------------------|------------|--------------|--------------|
| | 2013 | 2014 | 2015 | 30 June |
| | RMB'000 | RMB'000 | RMB'000 | 2016 |
| | | | | RMB'000 |
| Loans payables from related parties | 1,000 | 18,435 | 21,259 | 16,259 |
| Loans payables from third parties | <u>—</u> | <u>550</u> | <u>9,280</u> | <u>7,680</u> |
| Total debt | 1,000 | 18,985 | 30,539 | 23,939 |
| Total equity | 10,007 | 10,128 | 15,938 | 81,745 |
| Total debt to equity ratio | <u>0.1</u> | <u>1.9</u> | <u>1.9</u> | <u>0.3</u> |

31. SIGNIFICANT NON-CASH TRANSACTIONS

Additions to property, plant and equipment of approximately RMB9,186,000 were entitled and subsidised by a deferred government grant by way of direct payment to the sub-contractor during the Relevant Periods.

32. LITIGATION

During the Relevant Periods, there were two lawsuits in relation to the Woodlands of Guangdong Dahe:

(i) Background

The relevant forestry rights of the Woodlands were contracted previously by the respective local village economic cooperatives in Huazhou City to Mr. Wu Junsong (“Mr. Wu”), who then transferred rights of the Woodlands to Mr. Yu Bing (“Mr. Yu”). The forestry rights of the Woodlands (as detailed note 13) were transferred from Mr. Yu to Guangdong Dahe on 18 October 2013 (the “Forestry Rights Transfer”). The forestry rights in the PRC included the right to use the Woodlands, to own and use the forestry trees on the Woodlands and to earn income from forestry trees on the Woodlands.

Before the Forestry Rights Transfer executed in 2013, Mr. Yu signed a project cooperation agreement (the “Cooperation Agreement”) on the Woodlands and other woodland areas with Mr. Wu since 2011. Pursuant to the Cooperation Agreement, in addition to that the relevant forestry rights of the Woodlands were contracted to transfer to Mr. Yu to develop plantation business, there are other clauses but not limited to, sharing profits with Mr. Wu on the earnings from the Woodlands, and Mr. Wu is required to tidy up existing rubber trees, etc in the Woodlands.

(ii) Civil and Administrative actions in respect of the forestry rights of the Woodlands

- (a) The forestry rights of the Woodlands and the Cooperation Agreement had undergone several disputes. During the years from 2013 to 2016, Mr. Wu and his sons, namely Mr. Wu Weiguo and Mr. Wu Weidian (collectively the “Wu’s Family”), on one side, and Mr. Yu, on the other side, had disputes over, among other things, the interests in the Woodlands, and had brought civil action (the “Civil Action”) to the court of the PRC in this regard. In 2014, Mr. Wu Weiguo and Mr. Wu Weidian had brought an administrative action (the “Administrative Action”) to Intermediate People’s Court of Maoming City Guangdong Province, which involved, among other things, the forestry rights of the Woodlands.

Among years, certain negotiations for the Civil Action and Administrative Action among Mr. Yu, the Wu’s Family, Guangdong Dahe (collectively the “Relevant Counterparties”) and the People’s Government of Maoming City are in the progress, and various judgements from the Civil Action and the Administrative Action were issued by various legal bureaus of the local government. The Relevant Counterparties used every means for counterclaims and defended for his corresponding benefits. Accordingly, the forestry rights of the Woodlands were in doubt during the Relevant Periods.

- (b) To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Mr. Yu and the Wu’s Family are third parties independent of (a) the Company and its connected persons (as defined under the Listing Rules); and (b) Guangdong Dahe and Mr. He Xiaoyang.

(iii) Final settlement entered among the Relevant Counterparties

On 8 October 2016, the Relevant Counterparties entered into the Settlement Agreement for a full and final settlement of all the lawsuits in respect of the Woodlands as well as all claims arising directly or indirectly in respect of the Woodlands and/or the aforementioned lawsuits. Pursuant to the Settlement Agreement, the Relevant Counterparties have confirmed, among other things, that (a) there are no further disputes in respect of the Woodlands (including the forestry trees, etc. on the Woodlands); (b) Guangdong Dahe has the legal right to use the Woodlands and to own and use the forestry trees on the Woodlands; (c) the parties involved in the lawsuits have no disagreements in respect of the complete and exclusive interests of Guangdong Dahe in respect of the Woodlands; and (d) they shall not make any claim against Guangdong Dahe in respect of the Woodlands.

(iv) Issuance of mediation statement and administrative ruling statement

A mediation statement (民事調解書) (the “Mediation Statement”) and an administrative ruling statement (行政裁定書) both dated 17 October 2016 have been issued by the Intermediate People’s Court of Maoming City, Guangdong province, the PRC, which respectively acknowledged the final settlement of the Civil Action and accepted the withdrawal of the Administrative Action as mentioned above. The Mediation Statement and aforementioned administrative ruling statement became effective on 26 October 2016 and 19 October 2016 respectively. In the opinion of the directors of Guangdong Dahe, as confirmed by the PRC legal adviser, the Settlement Agreement is valid and legally binding, and that the aforementioned civil action has been finally and conclusively settled.

(v) Pursuant to the Mediation Statement, the Relevant Counterparties had voluntarily and mutually agreed the terms as follows:

- (1) a one-off settlement in the amount of RMB9,000,000 shall be paid by Mr. Yu to the Wu’s Family to settle all disputes in respect of the Woodlands including but not limited to the aforementioned lawsuits;
- (2) all claims and counterclaims stated in the civil action in respect of the Woodlands shall be abandoned voluntarily;
- (3) all other actions in relation to Woodlands (including but not limited to the aforementioned administrative action) shall be withdrawn by the Wu’s Family within 3 business days from the effective date of the Mediation Statement; and a notice of release (解付通知書) shall be issued by Mr. Yu to Mr. Wu Weidian (being the representative of the Wu’s Family) within 2 days from the receipt of withdrawal ruling statement (撤訴裁定書) from the courts by Mr. Wu Weidian;
- (4) a receipt of the settlement of RMB9,000,000 shall be issued by the Wu’s family to Mr. Yu; and
- (5) since November 2013, Guangdong Dahe has been legally entitled to the forestry rights of the Woodlands and the Wu’s Family no longer had interest in the Woodlands. The Wu’s Family shall clean up, return the properties on certain areas of the Woodlands which have been occupied by other parties within 75 days from the effective date of the Mediation Statement (“Clean-up and Return Work”).

The one-off settlement of RMB9,000,000 was paid by Mr. Yu into escrow account on 9 October 2016, and the notice for releasing the settlement monies from the escrow account to the Wu’s Family and the receipt of the settlement monies by the Wu’s Family had been issued on 28 October 2016.

In the opinion of the directors of the Guangdong Dahe, as pursuant to advice from the PRC legal adviser, the Mediation Statement and the administrative ruling statement are valid and legally binding, and that the aforementioned civil action has been finally and conclusively settled and the administrative action has been withdrawn. Up to the date of this report, actions (1) to (4) above under the Mediation Statement had been performed, while action (5) above under the Mediation Statement regarding the Clean-up and Return Work is still in progress, which, as advised by the PRC legal adviser, would not affect the effectiveness of the Mediation Statement. Guangdong Dahe will closely monitor the progress and barring any unforeseen circumstances, it is expected that the Clean-up and Return Work will be completed as scheduled.

33. EVENT AFTER REPORTING DATE

On 8 October 2016, Mr. Yu Bing, Mr. Wu Junsong, Mr. Wu Weiguo, Mr. Wu Weidian and Guangdong Dahe entered into the Settlement Agreement for the full and final settlement of all the lawsuits in respect of the Woodlands. Details have been disclosed in note 32 to the Financial Information.

III. SUBSEQUENT FINANCIAL INFORMATION

No audited Financial Information has been prepared by Guangdong Dahe in respect of any period subsequent to 30 June 2016.

Yours faithfully,

BDO Limited
Certified Public Accountants
Lo Ngai Hang
Practising Certificate No. P04743
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis on Guangdong Dahe for the period from 30 September 2013 (date of establishment) to 31 December 2013, for each of the two years ended 31 December 2014 and 2015 and for the six months ended 30 June 2016 (collectively the Relevant Periods).

Business review

Guangdong Dahe was established in the PRC on 30 September 2013 with limited liability. It was principally engaged in research and cultivation of *exocarpium citri grandis* for the period from 30 September 2013 (date of establishment) to 31 December 2013. Commencing from 2014, it is principally engaged in cultivation, research, processing and sales of *exocarpium citri grandis*.

Results

Revenue

The revenue of Guangdong Dahe represented the sales of the Seedlings and Dried Fruits. For the period from 30 September 2013 (date of establishment) to 31 December 2013, Guangdong Dahe did not record any revenue. The revenue of Guangdong Dahe for the year ended 31 December 2014 amounted to approximately RMB2,195,000, which represented the sales of 93,797 Seedlings with an average unit price of approximately RMB23. For the year ended 31 December 2015, the revenue of Guangdong Dahe amounted to approximately RMB20,227,000. Among which, RMB5,231,000 were attributable to the sales of 229,874 Seedlings with an average unit price of approximately RMB23; and RMB14,996,000 were attributable to the sales of 25,840 kilograms of Dried Fruits with an average price of approximately RMB580 per kilogram. The revenue of Guangdong Dahe for the six months ended 30 June 2016 amounted to approximately RMB27,676,000. Among which, RMB4,926,000 were attributable to the sales of 229,625 Seedlings with an average unit price of approximately RMB21; and RMB22,750,000 were attributable to the sales of 33,173 kilograms of Dried Fruits with an average price of approximately RMB686 per kilogram.

The sales of the Seedlings and the Dried Fruits commenced since 2014 and 2015 respectively. As a result of the good growing condition of *exocarpium citri grandis* bearer plants, the harvesting of Fresh Fruits from the bearer plant was started from 2014. The increase in revenue throughout the Relevant Periods was attributable to the growth in sales of the Dried Fruits, which were processed from the harvest of the Fresh Fruits from the Woodlands.

Costs of sales

For the period from 30 September 2013 (date of establishment) to 31 December 2013, for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, Guangdong Dahe had costs of sales of approximately nil, RMB1,062,000,

RMB8,284,000 and RMB11,577,000 respectively. Costs of sales mainly comprised of the inventories costs of the Seedlings and the Fresh Fruits and the processing expenses from the Fresh Fruits to the Dried Fruits.

The increase in costs of sales throughout the Relevant Periods was attributable to the increase of revenue during the corresponding period as mentioned above as a result of the growing harvest of *exocarpium citri grandis*.

Gain arising from changes in fair value less costs to sell of biological assets

The gain arising from changes in fair value less costs to sell of biological assets was approximately nil, RMB1,421,000, RMB3,953,000, RMB20,697,000 for the period from 30 September 2013 (date of establishment) to 31 December 2013, for the years ended 31 December 2014 and 2015 and for the six months ended 30 June 2016 respectively. Such gain represented the change in fair value of the Fresh Fruits and the Growing Produce during the relevant year/period.

Other income and gains

The other income and gains of Guangdong Dahe of approximately RMB12,000, RMB1,000, nil and RMB1,075,000 for the period from 30 September 2013 (date of establishment) to 31 December 2013, for the years ended 31 December 2014 and 2015 respectively mainly represented bank interest income. The other income and gains for the six months ended 30 June 2016 mainly represented income from disposal of scrap flowers.

Selling expenses

Guangdong Dahe incurred selling expenses of approximately RMB179,000 for the year ended 31 December 2015 and RMB134,000 for the six months ended 30 June 2016 respectively, which mainly represented advertising expenses.

Administrative expenses

Guangdong Dahe incurred administrative expenses of approximately RMB5,000, RMB2,428,000, RMB6,244,000 and RMB1,365,000 for the period from 30 September 2013 (date of establishment) to 31 December 2013, for the years ended 31 December 2014 and 2015 and for the six months ended 30 June 2016 respectively, which were mainly composed of general office expenses, business development costs and employee costs, including salaries and wages, other benefits and contributions to defined contribution plans.

Since Guangdong Dahe has commenced operation in September 2013, the increase of administrative expenses by approximately RMB2,423,000 for the year ended 31 December 2014 as compared with that for the period from 30 September 2013 (date of establishment) to 31 December 2013 was in line with the expansion of the business scale.

The increase of administrative expenses by approximately RMB3,816,000 for the year ended 31 December 2015 as compared with that for the year ended 31 December 2014 was mainly attributable to (i) the increase in employee costs by approximately RMB1,531,000, which was in line with the expansion of business scale associated with the harvest of *exocarpium citri grandis* fresh fruits in 2015; and (ii) write-off of bearer plants and consumables of approximately RMB719,000 in aggregate due to the normal loss and typhoon in Huazhou City.

The increase of administrative expenses by approximately RMB294,000 for the six months ended 30 June 2016 as compared with administrative expenses of approximately RMB1,071,000 for the six months ended 30 June 2015 was mainly due to the increase in employee costs and business development cost, which was in line with the expansion of the business scale associated with the harvest of *exocarpium citri grandis*.

Other operating expenses

Guangdong Dahe incurred other operating expenses of approximately nil, RMB6,000, RMB3,663,000 and RMB10,653,000 for the period from 30 September 2013 (date of establishment) to 31 December 2013, for the years ended 31 December 2014 and 2015 and for the six months ended 30 June 2016 respectively, which were composed of depreciation of property, plant and equipment and plantation cost on mature bearer plants.

The increase of other operating expenses throughout the Relevant Periods was attributable to (i) the increasing depreciation of property, plant and equipment associated with the additions of bearer plants; and (ii) the increase in plantation costs along with more bearer plants entering into the maturity stage.

Profit for the period/year

Guangdong Dahe recorded a net profit of approximately RMB7,000, RMB121,000, RMB5,810,000 and RMB25,719,000 for the period from 30 September 2013 (date of establishment) to 31 December 2013, for the years ended 31 December 2014 and 2015 and for the six months ended 30 June 2016 respectively as a result of the aforementioned factors.

Liquidity and financial resources

Guangdong Dahe manages its capital to ensure that Guangdong Dahe will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. Guangdong Dahe mainly financed its operation by internally generated resources and loans.

The net assets of Guangdong Dahe amounted to approximately RMB10,007,000, RMB10,128,000, RMB15,938,000 and RMB81,745,000 as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016 respectively. Guangdong Dahe had cash and cash equivalents of approximately RMB10,236,000, RMB2,000, RMB529,000 and RMB25,850,000 as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016 respectively, which were denominated in RMB. On 30 September 2013

(date of establishment) and on 4 January 2016, Guangdong Dahe received proceeds from issue of shares and capital contribution from its shareholders in the amount of RMB10,000,000 and RMB40,000,000 respectively.

Guangdong Dahe had loans payable from related parties of approximately RMB1,000,000, RMB18,435,000, RMB21,259,000 and RMB16,259,000 as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016 respectively, which were denominated in RMB and were unsecured, interest-free with the repayment schedule between 2016 and 2018.

The other loans payable of Guangdong Dahe amounted to approximately RMB550,000, RMB9,280,000 and RMB7,680,000 as at 31 December 2014, 31 December 2015 and 30 June 2016 respectively. Such other loans payables were denominated in RMB and were unsecured, interest-free with the repayment schedule between 2016 and 2019.

The gearing ratio of Guangdong Dahe, which is defined as total debts (being the sum of loans payables from related parties and other loans payables) divided by total equity, was approximately 0.1, 1.9, 1.9 and 0.3 as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016 respectively.

Exchange rate exposure

The business operation of Guangdong Dahe were mainly conducted in RMB during the Relevant Periods. Guangdong Dahe reviews its foreign currency exposures on a regular basis and does not consider its foreign currency risk to be significant. Guangdong Dahe did not use any financial instruments for hedging purpose.

Significant investments, material acquisitions and disposals

Guangdong Dahe did not have any significant investments, material acquisitions or disposals during the Relevant Periods.

Contingent liabilities and capital commitment

As at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, Guangdong Dahe did not have any material contingent liabilities.

The capital commitments of Guangdong Dahe, which were contracted but not provided for, in respect of the acquisition of property, plant and machinery amounted to approximately nil, RMB130,000, RMB1,817,000 and RMB2,149,000 as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016 respectively.

Pledge of assets

As at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, Guangdong Dahe did not pledge any of its assets.

Employees and remuneration

Guangdong Dahe had nil, 126, 143 and 115 employees as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016 respectively. For the period from 30 September 2013 (date of establishment) to 31 December 2013, for the years ended 31 December 2014 and 2015 and for the six months ended 30 June 2016, the employee costs amounted to approximately nil, RMB2,047,000, RMB4,179,000 and RMB2,040,000 respectively.

Guangdong Dahe did not have significant problems with its employees or disruptions due to labour disputes nor experience difficulties in the recruitment and retention of experienced staff during the Relevant Periods. Guangdong Dahe remunerates its employees based on industry practices. Its employee salaries, wages, other benefits and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

Future plans for material investments and acquisition of capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**(1) Introduction to unaudited pro forma financial information of the Enlarged Group**

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group and the Target Group (collectively referred to as the “Enlarged Group”) which has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition as if it had taken place on 30 June 2016. Details of the Acquisition are set out in the letter from the Board contained in this circular.

This unaudited pro forma statement of assets and liabilities has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2016 or at any future date.

**(2) Unaudited pro forma consolidated statement of assets and liabilities of the
Enlarged Group as at 30 June 2016**

| | The Group's assets and liabilities as at 30 June 2016 HK\$'000 (Note 1) | The Target Group's assets and liabilities as at 30 June 2016 HK\$'000 (Note 2) | Pro forma adjustments | | | Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 30 June 2016 HK\$'000 |
|--|--|--|-----------------------|----------------------|----------------------|---|
| | | | HK\$'000 (Note 3) | HK\$'000 (Note 4) | HK\$'000 (Note 5) | |
| ASSETS AND LIABILITIES | | | | | | |
| Non-current assets | | | | | | |
| Property, plant and equipment | 336,944 | 202,114 | — | — | — | 539,058 |
| Deposit | 5,000 | — | — | — | — | 5,000 |
| Payments for leasehold land held for own use under operating leases | 21,295 | — | — | — | — | 21,295 |
| Prepayment | — | 2,124 | — | — | — | 2,124 |
| Goodwill | — | — | 113,482 | — | — | 113,482 |
| | <u>363,239</u> | <u>204,238</u> | <u>113,482</u> | <u>—</u> | <u>—</u> | <u>680,959</u> |
| Current assets | | | | | | |
| Biological assets | — | 5,659 | — | — | — | 5,659 |
| Inventories and consumables | 42,769 | 15,976 | — | — | — | 58,745 |
| Trade receivables | 60,419 | 20,395 | — | — | — | 80,814 |
| Prepayments, deposits and other receivables | 42,749 | 3,453 | — | — | 19 | 46,221 |
| Tax recoverable | 330 | — | — | — | — | 330 |
| Amount due from a related party | — | 19 | — | — | (19) | — |
| Cash and cash equivalents | 69,065 | 31,054 | (110,000) | — | — | (9,881) |
| | <u>215,332</u> | <u>76,556</u> | <u>(110,000)</u> | <u>—</u> | <u>—</u> | <u>181,888</u> |
| Current liabilities | | | | | | |
| Trade and bill payables | 63,207 | 11,678 | — | — | — | 74,885 |
| Receipt in advance, accruals and other payables | 101,428 | 7,209 | — | 6,493 | 50,854 | 165,984 |
| Amounts due to related parties | — | 50,854 | — | — | (50,854) | — |
| Other loans payables | — | 14,228 | — | — | — | 14,228 |
| Deferred government grants | — | 1,138 | — | — | — | 1,138 |
| Bank borrowings | 43,961 | — | — | — | — | 43,961 |
| Bonds payable | 100,000 | — | — | — | — | 100,000 |
| Finance lease payables | 44,588 | — | — | — | — | 44,588 |
| | <u>353,184</u> | <u>85,107</u> | <u>—</u> | <u>6,493</u> | <u>—</u> | <u>444,784</u> |
| Net current liabilities | <u>(137,852)</u> | <u>(8,551)</u> | <u>(110,000)</u> | <u>(6,493)</u> | <u>—</u> | <u>(262,896)</u> |
| Total assets less current liabilities | <u>225,387</u> | <u>195,687</u> | <u>3,482</u> | <u>(6,493)</u> | <u>—</u> | <u>418,063</u> |
| Non-current liabilities | | | | | | |
| Bank borrowings | 18,982 | — | — | — | — | 18,982 |
| Finance lease payables | 58,517 | — | — | — | — | 58,517 |
| Loans payables from a related party | — | 10,361 | — | — | (10,361) | — |
| Other loans payables | — | 3,658 | — | — | 10,361 | 14,019 |
| Deferred government grants | — | 10,243 | — | — | — | 10,243 |
| Other payables | 9,142 | — | — | — | — | 9,142 |
| Promissory note payable | — | — | 90,909 | — | — | 90,909 |
| Deferred tax liabilities | 18,111 | — | — | — | — | 18,111 |
| | <u>104,752</u> | <u>24,262</u> | <u>90,909</u> | <u>—</u> | <u>—</u> | <u>219,923</u> |
| Net assets | <u>120,635</u> | <u>171,425</u> | <u>(87,427)</u> | <u>(6,493)</u> | <u>—</u> | <u>198,140</u> |

Notes to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

- The balances were extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016 as set out in the unaudited interim report of the Company for the six months ended 30 June 2016.
- The balances were extracted from the audited consolidated statement of financial position of the Target Group as at 30 June 2016 as set out in Appendix II to this circular.

On 1 October 2016, Mr. He Xiaoyang, the sole beneficial owner of the Target, has signed a waiver letter for the amount due by the Target Group to the director of the Target of approximately HK\$48,610,000. The Directors consider the aforesaid events are separate events to the Acquisition. Thus, the event is not taken account into the pro forma adjustment.

- Upon Completion, the Group will own 51% equity interest in the Target. Upon initial recognition, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Group at their fair values as of the date of Completion under acquisition method of accounting, in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3").

Assuming that the Acquisition had been completed on 30 June 2016, the accounting impact of the Acquisition on the Group's assets and liabilities as at 30 June 2016 would be as follows:

| | <i>Notes</i> | <i>HK\$'000</i> |
|--|--------------|-----------------------|
| Adjusted consideration | <i>(i)</i> | 200,909 |
| Less: Fair value of the identifiable net assets attributable to the owner of the Target Group acquired | <i>(ii)</i> | (171,425) |
| Add: Non-controlling interests of 49% in the Target | | <u>83,998</u> |
| Goodwill arising from the Acquisition | <i>(iii)</i> | <u><u>113,482</u></u> |

Notes:

- Pursuant to the Acquisition Agreement, the total consideration for the Acquisition is to be satisfied upon Completion by an aggregate of HK\$110,000,000 in cash and the issuance of promissory note with principal amount of HK\$110,000,000. The cash consideration and the Promissory Note shall be held in escrow by the Company or its nominee(s) upon Completion and shall only be released to the Vendor or its nominee(s) after deducting the compensation amount to be paid by the Vendor to the Company pursuant to the relevant profit guarantee clauses under the Agreement.

The Promissory Note is a two-year interest-free note with principal amount of HK\$110,000,000 to be issued by the Company to the Vendor, or its nominee(s) at Completion for partial settlement of the consideration of the Acquisition.

The assumed fair value of the Promissory Note of approximately HK\$90,909,000 represents the carrying value of the Promissory Note carried at amortised cost with effective interest rate determined by the Directors.

- In accordance with the HKFRS 3, the Group will apply acquisition method to account for the Acquisition. In applying the acquisition method, the identifiable assets and liabilities of the Target Group have to be recorded at their fair values. For the purpose of the preparation

of the unaudited pro forma statement of assets and liabilities, the carrying amounts of the identifiable assets and liabilities of the Target Group as estimated by the Directors as at 30 June 2016 are assumed to be approximate to their fair values.

Since the fair values of the identifiable assets and liabilities of the Target Group used in the preparation of this unaudited pro forma statement of assets and liabilities may be different from their fair values on the date of Completion, the goodwill arising from the Acquisition could be different from the estimated amounts stated herein and is subject to change upon the finalisation of valuation at Completion.

- (iii) When preparing the pro forma financial information, the Directors made preliminary assessment, with reference to Hong Kong Accounting Standard 36 “Impairment of Assets” issued by the Hong Kong Institute of Certified Public Accountants, as to whether or not there is any indicator of impairment on goodwill arising from the Acquisition. The Directors have taken into account, among other things, the valuation of 100% equity interest in Guangdong Dahe as at 31 July 2016 as assessed by an independent valuer based on market approach as set out in Appendix V to this circular. Based on such assessment, the Directors did not identify any impairment indicator in respect of the goodwill arising from the Acquisition of the Target Group.

Consistent with the accounting policies adopted by the Group in preparing the consolidated financial statements, the amount of goodwill arising from the Acquisition that will be initially recognised in the Company’s consolidated financial statements will be determined with reference to HKFRS 3 based on the fair value of the acquired assets and liabilities at the date of Completion. The Directors will follow the Group’s accounting policy in respect of assets impairment assessment, including the assessment of the impairment of goodwill and intangible assets arising from the Acquisition when preparing the Company’s historical consolidated financial statements covering the period in which the Acquisition is completed. The Company’s annual consolidated financial statements will be subject to the audit, by the Company’s auditors in accordance with Hong Kong Standards of Auditing.

4. The adjustment represents the estimated legal and professional fees and other direct expenses in relation to the Acquisition of approximately HK\$6,493,000. This adjustment is not expected to have a continuing financial effect on the Enlarged Group.
5. The adjustment represents the reallocation adjustment of balances which are not classified as related-party balances to the Enlarged Group in accordance with Hong Kong Accounting Standard 24 (Revised) “Related Party Disclosures”.
6. In the opinion of the Directors, the fair value of contingent liabilities of the Target Group would be insignificant for the recognition in this Unaudited Pro Forma Financial Information.
7. Subsequent to 30 June 2016, the Company has fulfilled all conditions set out in the placing agreement entered into on 23 June 2016 (the “Placing Agreement”). Following the completion of the placing (the “Placing”) which took place on 15 July 2016 in accordance with the terms of the Placing Agreement, the issued share capital of the Company was increased from 800,000,000 Shares to 960,000,000 Shares by placing of 160,000,000 Shares. The gross proceeds from the Placing are approximately HK\$195,200,000. The Company intends to apply the net proceeds from the Placing, amounting to approximately HK\$193,000,000, (i) as general working capital of the Group; (ii) for payment of the cash consideration for the Acquisition in the event that the Acquisition materialises; and (iii) for fulfillment of any financial obligations of the Group as and when they fall due. The aforesaid event is not taken account into the pro forma adjustment.
8. Saved as aforesaid, no other adjustments have been made to reflect any trading result or other transactions of the Enlarged Group entered into subsequent to 30 June 2016. Unless otherwise stated, the adjustments above are not expected to have a continuing effect on the Enlarged Group.

**(B) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report from BDO Limited, the independent reporting accountants, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this appendix and prepared for the sole purpose of inclusion in this circular.



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**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the directors of Eagle Legend Asia Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Eagle Legend Asia Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 June 2016 and related notes as set out on pages 2 to 4 of Appendix IV of the Company's circular dated 21 December 2016 (the "Circular") in connection with the proposed acquisition of 51% equity interest in Best Earnest Investments Limited (the "Proposed Acquisition"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on 1 of Appendix IV of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 30 June 2016 as if the Proposed Acquisition had taken place at 30 June 2016. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Company's interim report for the six months ended 30 June 2016, on which a review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

21 December 2016

The following is the text of a report received from Greater China Appraisal Limited, the independent valuer, in connection with its valuation of Guangdong Dahe as at 31 July 2016 prepared for the purpose of incorporation in this circular.

GREATER CHINA APPRAISAL LIMITED
漢華評值有限公司

Room 2703, 27/F
Shui On Centre
6–8 Harbour Road
Wanchai
Hong Kong

21 December 2016

The Board of Directors
Eagle Legend Asia Limited
Room 3607, 36/F
China Mining Resources Building
26 Harbour Road
Wanchai, Hong Kong

Dear Sirs/Madams,

Valuation of 100% Equity Interest in Guangdong Dahe Biological Technologies Limited

In accordance with your instructions, we were engaged to perform a valuation analysis in relation to the fair value of the 100% equity interest (the “Equity Interest”) in Guangdong Dahe Biological Technologies Limited (“Guangdong Dahe”) as at 31 July 2016 (the “Valuation Date”). The principal asset of Guangdong Dahe was the ¹exocarpium citri grandis (the “Huajuhong”) cultivation project on the six parcels of woodlands with a total area of 2,151.36 mu (the “Woodlands”) in Huazhou City, Guangdong Province, the People’s Republic of China (the “PRC”).

It is our understanding that our analysis will be used by the management of Eagle Legend Asia Limited (the “Company”) in their determination of the value of the Equity Interest for transaction reference purpose only and this report should be used for no other purpose without our express written consent. Our work was performed subject to the limiting conditions and general service conditions described in this report. The standard of value is fair value; while the premise of value is going concern.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

¹ 化橘紅

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

I. PURPOSE OF ENGAGEMENT

It is our understanding that our analysis will be used for transaction reference purpose only.

II. SCOPE OF SERVICES

We were engaged by the management of the Company in evaluating the Equity Interest as at the Valuation Date.

III. BASIS OF VALUATION

We have performed valuation of the Equity Interest on the basis of fair value. The opinion of value in the valuation will be on the basis of fair value which we would define as intended to mean “*the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties*”.

Our valuation has been prepared in accordance with the International Valuation Standards (2013 Edition) on business valuation published by International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

IV. PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in the manner that would generate the greatest return to the owner of the asset. It takes into account of what is physically possible, financial feasible and legal permissible. Premise of value includes the following:

1. **Going concern:** appropriate when a business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;
2. **Orderly liquidation:** appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;
3. **Forced liquidation:** appropriate when time or other constraints do not allow an orderly liquidation; and
4. **Assembled group of assets:** appropriate when all assets of a business are sold in the market piecemeal instead of selling the entire business.

This valuation is prepared on going concern basis.

V. LEVEL OF VALUE

Valuation is a range concept and the current valuation theories suggest that there are three basic “levels” of value applicable to a business or business interest. The levels of value are respectively:

1. **Controlling interest:** the value of the controlling interest, always evaluate an enterprise as a whole;
2. **As if freely tradable minority interest:** the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and
3. **Non-marketable minority interest:** the value of a minority interest, lacking both control and market liquidity.

This valuation is prepared on a controlling interest basis.

VI. APPOINTMENT OF THE EXPERT IN BIOLOGICAL ASSETS

For this particular valuation, Mr. Wu Liangru (“Expert I”) and Mr. Xu Kai (“Expert II”, collectively referred to as the “Experts”) were regarded as the independent technical experts. Appointment of the Experts was necessary for our thorough understanding of the biological attributes (i.e. species, specifications, health conditions, qualities) of the Huajuhong bearer plant, Huajuhong fruit and Huajuhong seedling. The Experts were responsible for providing advice on the biological aspects, giving guidance on valuation methodology and reviewing the valuation models. We have considered and relied to a considerable extent on the expertise and opinion of the Experts in this valuation.

VII. QUALIFICATION OF THE EXPERT

Expert I is a deputy researcher with ²qualification certificate accredited by the Chinese Academy of Forestry. He has 11 years of experience in valuation of biological assets including but not limited to nursery stocks, rose trees, etc. He earned his degree of Agricultural Science from College of Forestry, Nanjing Forest University. He was assigned to work in Research Institute of Subtropical Forestry, Chinese Academy of Forestry afterwards. He was promoted to deputy researcher there. Subsequently, he was appointed to be the research director in the Bamboo Research and Development Centre of Chinese Academy of Forestry until now. He has been working on research field of forestry biology, production ecology and yield cultivation and breeding. He hosted and participated in more than 20 forestry research promotion projects, including national technological support issues, new species and technology promotion projects of the State Forestry Administration of the PRC, etc. Amongst the research projects, he was awarded with a ³first place of the Former State Forestry Administration Technology Advancement Award and a ⁴third place of the Fujian Science and Technology Progress Award. He also authored more than 30 theses and published 3 specific publications on topics of forestry research. He started involving in the biological assets valuation since 2004 and

² 《中國林業科學研究院副研究員任職資格證書》

³ 《1996原林業部科技進步一等獎》

⁴ 《2000福建省科學技術進步三等獎》

organized a forestry consulting agency consisting of experts in different forestry aspects in 2008. He is also a committee member in Zhengjie Forestry Standardization Technical Committee and director and deputy secretary of bamboo branch of Chinese Forestry Society.

Expert II is professor, chairman and instructor of master degree candidates in College of Horticultural Science in School of Agricultural and Food Science, Zhejiang A&F University. He has over 10 years of experience in valuation of biological assets including but not limited to fruit trees. He earned his bachelor degree in pomology in College of Horticultural Science in Anhui Agricultural University. He continued his study in pomology and earned his master degree in Shandong Agricultural University and doctoral degree in College of Agriculture and Biotechnology in Zhejiang University. Since 1990, He worked in Anhui Agricultural University as pomology research director, and promoted to be teaching assistant, lecturer, deputy professor and instructor of master degree candidates in 2000. His major research fields include environmental regulation of horticultural plants and safe techniques on high yield and quality production of fruit trees. He hosted and participated in more than 20 research projects supported by National Science and Technology Support Program and National Natural Science Foundation of the PRC including “Study on Production Technology System of Safety and High Efficiency Standard for Citrus”⁵. He was awarded as outstanding scientific commissioner of Zhejiang⁶ in 2014 and Second Class of Anhui Science Progress Award⁷ in 1994. He authored more than 30 academic theses and published 10 teaching materials. He is also executive director of Zhejiang Society of Horticultural Science, committee member of Zhejiang cultivation industry standardization technology committee and technology system expert of Zhejiang fruit tree industry.

VIII. SOURCES OF INFORMATION

Our analysis and conclusion was based on our discussions with the management of Guangdong Dahe, as well as a review of companies’ records and financial projections, including but not limited to:

1. Unaudited financial statements of Guangdong Dahe for the year ended 31 December 2013, 2014, 2015, and for the 6 months ended 30 June 2015, 2016;
2. Unaudited financial statements of Guangdong Dahe for the 7 months ended and for the trailing 12 months ended 31 July 2016;
3. Sales breakdown of Guangdong Dahe from August 2014 to August 2016;
4. Plantation cost breakdown of Guangdong Dahe for the year ended 31 December 2013, 2014, 2015, and for the 6 months ended 30 June 2015 and 30 June 2016;
5. Inventory breakdown as at 31 December 2013, 2014, 2015, and 30 June 2015, 2016;
6. Property, plant and equipment breakdown as at 31 December 2013, 2014, 2015, and 30 June 2015, 2016;

⁵ 《柑橘安全高效標準生產技術體系研究》

⁶ 《2014浙江省優秀特派員》

⁷ 《1994安徽省科技進步二等獎》

7. Construction in progress breakdown as at 31 December 2013, 2014, 2015, and 30 June 2015, 2016;
8. Capital commitment breakdown as at 31 December 2013, 2014, 2015, and 30 June 2015, 2016;
9. Inventory movement breakdown from June 2014 to August 2016;
10. Bearer plant movement breakdown from October 2013 to August 2016;
11. Health condition inspection reports for Huajuhong bearer plant as at 29 December 2013, 30 December 2014, 27 December 2015, 30 March 2016 prepared by the management of Guangdong Dahe;
12. Description of the business and Huajuhong of Guangdong Dahe;
13. Group structure of Guangdong Dahe;
14. Legal opinion (“Legal Opinion”) prepared by GFE Law Office dated 16 December 2016;
15. Certificate of forest and woodland tenure right of the Woodlands;
16. Plantation research report prepared by Institute of ⁸Agricultural Economics and Rural Development dated 20 August 2016 (the “Research Report”); and
17. Biological asset valuation report prepared by the Experts dated 16 December 2016 (the “Expert Report”).

There are 4 personnel (the “Researchers”) from the Institute of Agricultural Economics and Rural Development involved in the preparation of the Research Report which every of them has experience in agricultural research. The Research Report covers 2 main topics:

- Comment on the overall plantation project of Guangdong Dahe including but not limited to introduction of Guangdong Dahe and its plantation base, plantation technique and management of Guangdong Dahe, domestic political issue, market demand and market price of *Exocypium citri grandis*, etc; and
- Huajuhong plantation industry overview.

For the preparation of the Research Report, the Researchers had performed various procedures based on their experience including but not limited to:

- Performed site visit to the plantation base of Guangdong Dahe;
- Conducted interview with the management and the staff of Guangdong Dahe; and
- Performed professional research about the biological asset and Guangdong Dahe.

⁸ 廣東省農業科學院經濟與農村發展研究所

Furthermore, the Researchers had made reference to different source of information in the preparation of the report, including but not limited to:

- ⁹Statistics Bureau of Huazhou
- ¹⁰General Administration of Customs of the People’s Republic of China
- ¹¹China Association of Traditional Chinese Medicine

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and the news.

IX. ECONOMIC OVERVIEW

In conjunction with the preparation of this valuation, we have reviewed and analysed the current economic conditions of the PRC where the profit of the Equity Interest is derived, and how the valuation of the Equity Interest may be impacted.

1. Nominal GDP Growth in the PRC

In the period of 12th Five-year plan (2011–2015), the status of economic development has been altered from rapid growth to medium-high speed growth. It can be observed that the real gross domestic products (“GDP”) annual growth rate has been stabilised at around 7% from 2012 onwards, whereas the inflation has remained moderate around 2%. The slowdown of the economic expansion was not a turning signal of economic downturn, but in fact it was matched with the expectation of Chinese government. Upon the inauguration of Chinese President Mr. Xi Jinping and the new government officials in 2013, the core of economic policy has shifted from focusing on short-term stimulus to no stimulus, deleveraging and structural reform on the national economy. Premier Mr Li Ke Qiang has expressed his administration’s policies, named as “Likonomics”, on the future direction of Chinese economy. In the nutshell, it represents short-term pain in return for a long term gain in the economy.

Table 9 — 1 Real GDP Annual Growth Rate and Inflation of the PRC

| | 2012A | 2013A | 2014A | 2015A | 2016F |
|---------------------------------|-------|-------|-------|-------|-------|
| Real GDP Annual Growth Rate (%) | 7.70 | 7.70 | 7.30 | 6.90 | 6.49 |
| Inflation (%) | 2.65 | 2.62 | 1.99 | 1.44 | 1.80 |

Source: World Economic Outlook Database (April 2016), International Monetary Fund

⁹ 化州市統計局

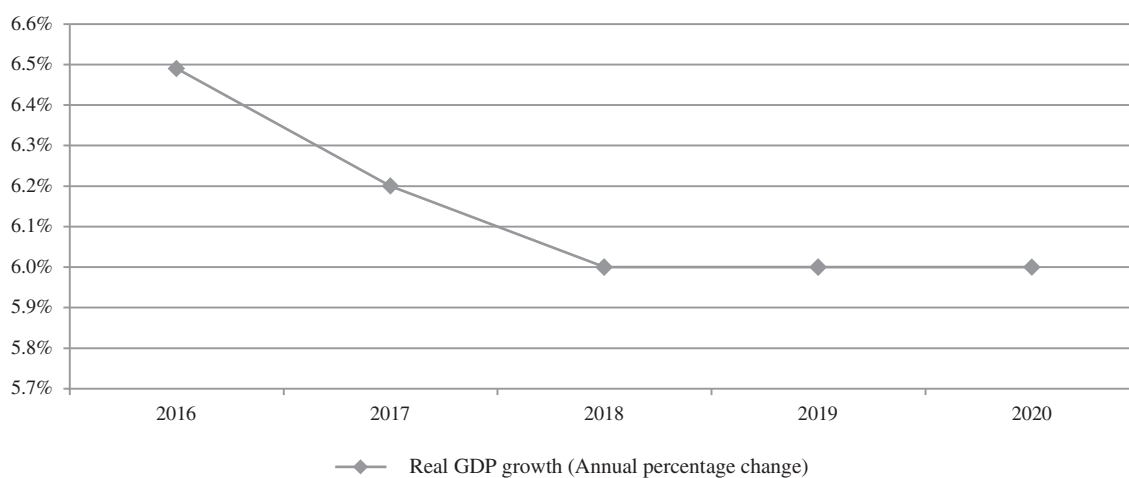
¹⁰ 中華人民共和國海關總署

¹¹ 中國中藥協會

According to analysts' comment of Barclays bank, the Likonomics will put Chinese economy into a sustainable path, and it was estimated the annual growth for the next 10 years would lie at between 6% and 7%. In accordance with the forecast published by International Monetary Fund ("IMF"), the overall real GDP growth is at 6.90% in 2015, while the projection of the real GDP growth in the next five year would follow a steady decline from 6.49% in 2016 to 6.0% in 2020, which is in line with Mr. Li's administration direction.

The following diagram shows the real GDP annual growth rate forecasts from 2016 to 2020.

Figure 9 — 1 Forecasts of Real GDP Annual Growth Rate of the PRC



Source: World Economic Outlook Database (April 2016), International Monetary Fund

According to "World Economic Outlook Database (April 2016)" by IMF, the Chinese economy was ranked 2nd in terms of size in 2015, it possesses the greatest growth prospect among top six economies in the world; the Chinese economy was forecasted to grow from USD10,982 billion in 2015 to USD17,762 billion in 2021 with a compound annual growth rate ("CAGR") of 8.3%. It is worth noting that the gap between the United States and the PRC was projected to be narrowing over time.

Table 9 — 2 Worldwide GDP

| | Country | GDP — Billions of the United States Dollar ("USD") | | | | | | |
|---|----------------|--|--------|--------|--------|--------|--------|--------|
| | | 2015A | 2016F | 2017F | 2018F | 2019F | 2020F | 2021F |
| 1 | United States | 17,947 | 18,558 | 19,285 | 20,145 | 21,016 | 21,874 | 22,766 |
| 2 | PRC | 10,982 | 11,383 | 12,263 | 13,338 | 14,605 | 16,144 | 17,762 |
| 3 | Japan | 4,123 | 4,412 | 4,514 | 4,562 | 4,676 | 4,800 | 4,895 |
| 4 | Germany | 3,358 | 3,468 | 3,592 | 3,697 | 3,822 | 3,959 | 4,066 |
| 5 | United Kingdom | 2,849 | 2,761 | 2,885 | 2,999 | 3,123 | 3,256 | 3,874 |
| 6 | France | 2,421 | 2,465 | 2,538 | 2,609 | 2,700 | 2,804 | 2,895 |

Source: World Economic Outlook Database (April 2016), International Monetary Fund

In the near-term outlook, there are several challenges affecting the PRC's economy. The rapid growth in credit financing has derived a so-called 'shadow banking system', raising concerns about the quality of investment and the ability on repayment, especially when capital is flowing through less-well supervised parts of the financial system. Furthermore, the PRC suffered from the first corporate bond default in March 2014. It sent a warning signal to the bond investors regarding the creditability of the borrowers and the stability of the market.

In addition, the PRC's economic growth in the past was highly depends on continuous investment in infrastructure projects. Redundant and duplicate developments resulted in a mismatch and wastage of resources. The recovery of these substantial investments which mainly financed by borrowing is challenging. In 2013, when the PRC's government tried to tighten the funding channel, the capital market has immediately quaked. Not only the GDP growth rate but also the stability of the entire capital market system in the PRC would potentially be impacted if the problem cannot be handled properly.

Furthermore, President Xi's campaign against corruption and extravagant spending will improve the image of the government and increase the operational efficiency. On the other hand, it will affect the customer spending sector, especially, the luxury goods, fine dining and business travelling which used to be the unofficial fringe benefits of the government officers.

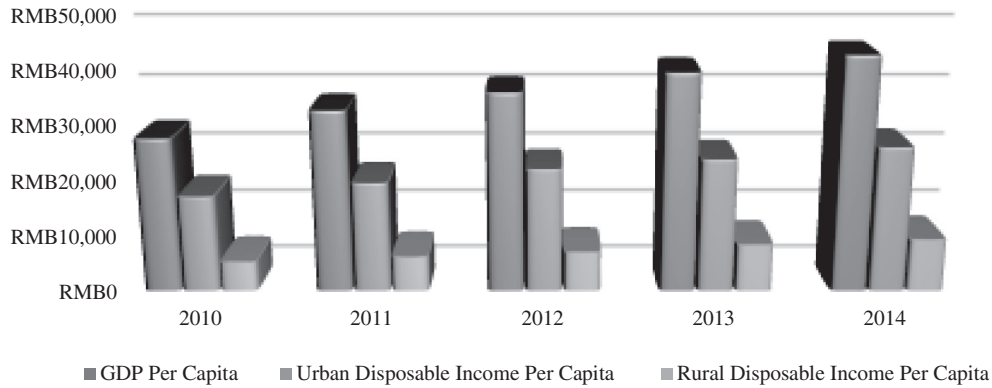
While the GDP growth of the PRC's market stalls, the other markets start recovering. The World Bank commented that the major obstacles to the recovery, including a Eurozone meltdown have been overcome. The Chinese policymaker must clamp down on lending to prevent asset bubbles. Unless the Chinese economy faces imminent risk collapse, the "temporary hard-landing" will not deter the long-term growth prospect of the PRC.

2. GDP per Capita in the PRC

Improving standard of living was one of the main issues in social aspect of the 12th Five-year plan. The disposable income level, being a good measure, has grown significantly over the past few years. According to the National Bureau of Statistics of the PRC, annual disposable income per capita of urban households in the PRC has increased from RMB19,109 in 2010 to RMB28,844 in the 2014, representing a CAGR of approximately 10.8%; annual disposable income per capita of rural households has increased from RMB5,919 in 2010 to RMB10,489 in 2014, representing a CAGR approximate to 15.4%. In comparison to the inflationary figures, the annual inflation rate is between 1.99% and 5.40% during the period from 2010 to 2014. Hence, there were improvement of the standard of living of Chinese people overall in the period from 2010 to 2014.

The following diagram shows the GDP per capita, annual urban and rural disposal income per capita from 2010 to 2014.

Figure 9 — 2 GDP per Capita of the PRC



Source: National Bureau of Statistics of the PRC

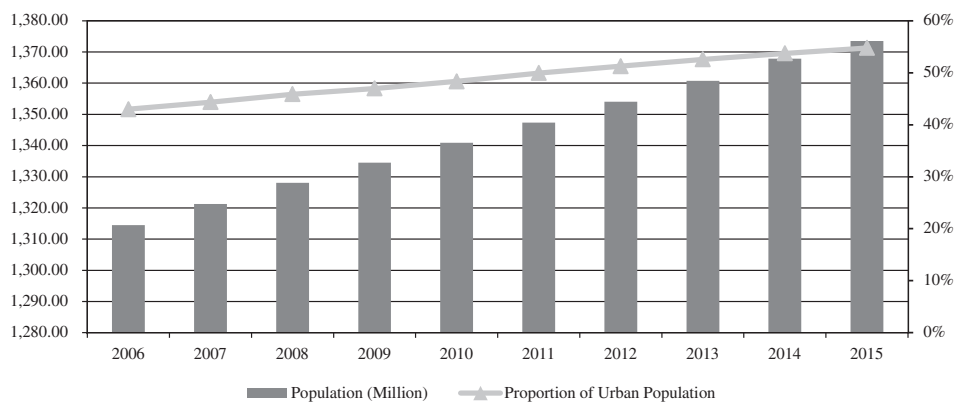
3. Population Growth

The population of the PRC accounts for almost one fifth of the world’s population. According to the National Bureau of Statistics of the PRC, the population has grown from 1.31 billion in 2006 to 1.37 billion in 2015, representing a CAGR of approximately 0.44%.

The proportion of urban population in the PRC increased from 44.34% in 2006 to 55.88% in 2015, representing a CAGR of approximately 2.37%.

The following diagram shows the population growth and corresponding urban population growth in the PRC from 2006 to 2015.

Figure 9 — 3 Population and Portion of Urban Population in the PRC



Source: National Bureau of Statistics of the PRC

Population growth is expected to be steady in this decade. Population growth along with increasing urbanization and expansion of the middle class are particularly important to support the future growth of the domestic demand on affordable luxury goods, such as vehicles, luxury watches, etc. Steady growth in population together with improving living standard continuously derives a strong demand on housing and transportation. On the other hand, the unemployment rate was recorded at around 4.1% for the past few years, and it is estimated the status will not change from 2015 to 2020.

Table 9 — 3 Population Forecast of the PRC

| | 2015A | 2016F | 2017F | 2018F | 2019F | 2020F |
|--------------------------|-----------|----------|----------|----------|----------|----------|
| Population (Million) | 1,374.620 | 1,381.45 | 1,388.32 | 1,395.22 | 1,402.16 | 1,409.13 |
| Unemployment rate (%) | 4.05 | 4.05 | 4.05 | 4.05 | 4.05 | 4.05 |

Source: World Economic Outlook Database (April 2016), International Monetary Fund

Although the one-child policy has curbed the growth of birth rate in the PRC, the rising trend of the PRC's population has not been slowed down in few decades. At the same time, the side effect of the policy has started to take effect in the current decade; the number of elderly people is rising and this age group is forecasted to grow in the next few decades. However, the Government now has realized this trend and introduced Two-child policy which comes into effect throughout the country since October 2015. Hopefully this policy will offset the aging population structure in next few decades.

Table 9 — 4 Age Distribution of the PRC

| Age distribution | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------|------|------|------|------|------|-------|-------|-------|-------|-------|
| 0-14 (Million) | 260 | 257 | 252 | 247 | 223 | 222 | 223 | 223 | 226 | 227 |
| 15-64 (Million) | 951 | 958 | 967 | 974 | 999 | 1,003 | 1,004 | 1,006 | 1,005 | 1,003 |
| >=65 (Million) | 104 | 106 | 110 | 113 | 119 | 123 | 127 | 132 | 138 | 144 |

Source: National Bureau of Statistics of the PRC

4. Inflation

Managing inflation risk has been one of the key missions for the PRC's government since 2010. The latest economic data released by National Bureau of Statistics of the PRC indicated that the inflation rate was reported at 1.50% in May 2015 on year-over-year basis, as compared with that of 1.99% in June 2014. The PRC is expected to continue a prudent monetary policy, keep money supply, deliver the state-led investment to a reasonable level, and optimize financing and credit structures in the future.

In comparison to the inflation of world's average and of emerging and developing economies, the outlook of the PRC's inflation is far left behind. The continual appreciation on RMB during the period from mid-2010 to 2013 as well as the dominating

role of export in the PRC economy were the primary reasons. On one hand, with the Federal Reserve raising interest in December 2015, a new round of currency depreciation is expected to incur in emerging countries; on the other hand, in domestic, the A-share experienced four fusing at the beginning of 2016 with severe volatility, thus investors have strong hedging desires. Due to these two factors, expectation for RMB depreciation becomes much stronger and the situation has been prevailing since 2014.

Table 9 — 5 Annual Inflation Forecasts of the PRC

| | Inflation, Average Consumer Prices Changes (%) | | | | | | |
|--|--|-------|-------|-------|-------|-------|-------|
| | 2015A | 2016F | 2017F | 2018F | 2019F | 2020F | 2021F |
| World | 2.78 | 2.82 | 3.04 | 3.14 | 3.16 | 3.17 | 3.16 |
| Emerging and developing economies | 4.71 | 4.45 | 4.20 | 4.05 | 3.99 | 4.00 | 3.95 |
| PRC | 1.44 | 1.80 | 2.00 | 2.20 | 2.60 | 3.00 | 3.00 |

Source: World Economic Outlook Database (April 2016), International Monetary Fund

5. Government Policy

During the end of the period of 12th Five-year plan, the PRC will maintain stable economic policies and a prudent monetary policy, the GDP growth is rebalancing at an achievable rate of 7.1% amid lower export demand in 2015, said by Premier Li. A report issued by The World Bank in June 2014 has reconfirmed that the expectation is achievable.

The Chinese government is currently drafting the blueprint of the 13th Five-year plan which will begin in 2016. More or less, the plan will inherit the spirit of the previous in developing science and technology, deepening environmental protection policies, but to solidify the whole economy. Under the slump of crude oil price and raising deflation risk of the European Union countries, it is estimated that the Chinese government will adopt a stable and conservative economic policies in 2016, the government will continue the ongoing plans and focus on resolving the imminent problem within the nation, such as modifying the financial system and intensifying anti-corruption measures.

In the Central Economic Work Conference held in Beijing at the end of 2015, the top leaders of the Communist Party of the PRC emphasised that the main tasks in 2016 were as follows:

- Reducing housing inventories;
- Resolving industrial overcapacity;
- Lowering corporate costs;
- Prevention of financial risks; and
- Broadening effective supply.

Overall speaking, inflation was mild and the economy may suffer a short-term slowdown, but it is just the part of the structural reform of the economy as stated in Likonomics. Currently, it leaves policy makers sufficient flexibility if they believe the economy needs any stimulation policies.

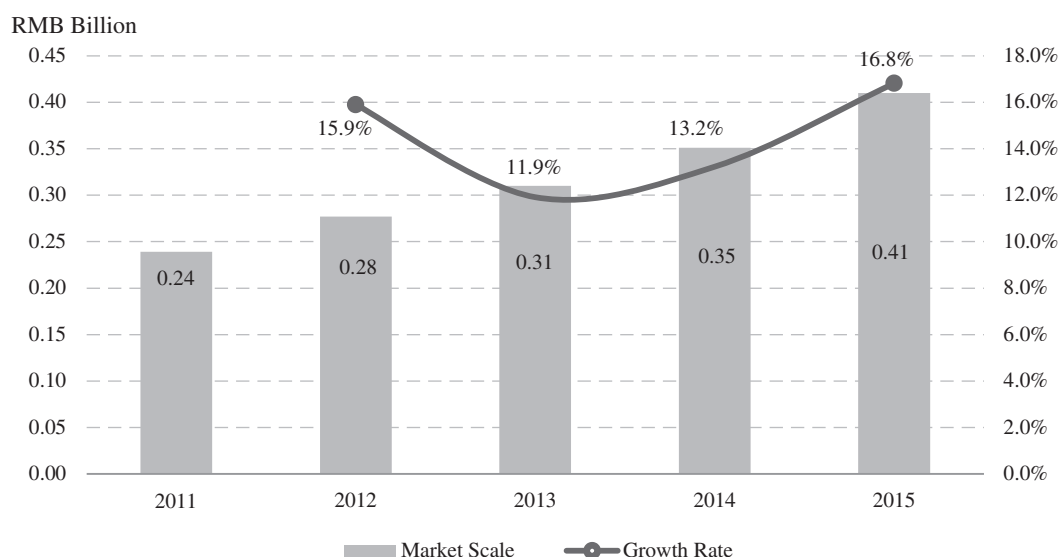
X. INDUSTRY OVERVIEW

Huajuhong is known as one of “Top Ten Southern Medicine” and “Top Four Cantonese Medicine” in the PRC and is exclusively originated from the land of Huazhou with over 1700 years’ history early tracing back to North-South Dynasties (423 A.D). In “Yongle” period of Ming Dynasty, Huajuhong was designated by imperial order as royalty tributes and spread to overseas. Ever since then, the medicinal value of Huajuhong has been gradually recognized by medical scientists from domestic and abroad. During Ming and Qing Dynasty, there has been four big Huajuhong planting gardens named Lai, Li, Pan, and Chen. In the past few decades, with the revival of Chinese traditional medicine industry, the planting of Huajuhong has gradually got recovery and become one of special pillar industries of Huazhou City. Currently there are over 250 enterprises engaging in planting, processing and sales of Huajuhong in Huazhou.

1. Market Scale, Demand and Product Segment

According to the data released by Statistics Bureau of Huazhou, the market scale of Huajuhong in the PRC has reached RMB 0.35 and 0.41 billion in 2014 and 2015 respectively, representing 13.2% and 16.8% rise comparing to previous year.

Figure 10 — 1 Market Scale and Growth Rate of Huajuhong from 2011 to 2015

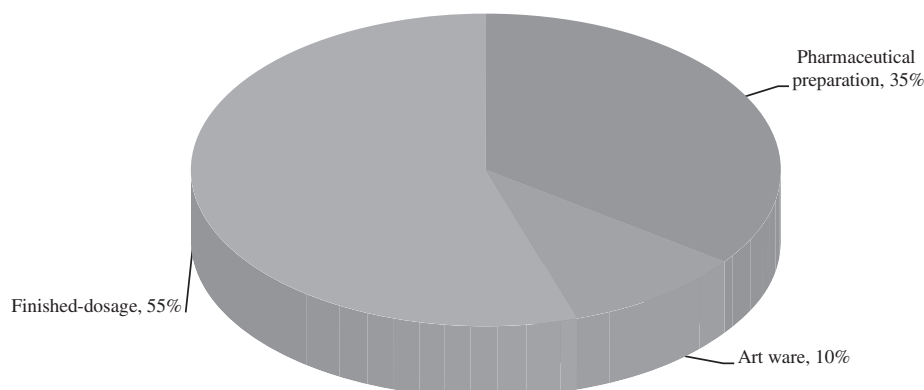


Source: The Research Report, citing Statistics Bureau of Huazhou

Considering its exclusive medicinal value in relieving cough and reducing sputum, many big domestic pharmaceutical manufacturers such as Guangdong Pharmaceutical Group, Shanghai Pharmaceutical Group have adopted Huajuhong as basic materials to produce pharmaceutical preparation and finished-dosage. On the other hand, the shell of Huajuhong can be used to make fine art ware such as tobacco pipe, pendants, tea mugs and etc. and this niche market has also been growing year over year.

Like many other products, the Huajuhong market is also heavily affected by the upstream of the whole industry supply chain. As Huazhou is the exclusive original cultivation area of Huajuhong, to a great extent, the market size of Huajuhong depends on the production volume in Huazhou. Under current conditions, there are only 3,750 tonnes of Huajuhong dry fruit produced in Huazhou each year. However, reported in 2016 Huajuhong Cultural Festival held on 18 June 2016, it is estimated that the market demand is over 20 thousand tonnes, which reflects a big gap between demand and supply.

Figure 10 — 2 Product Segments of Huajuhong



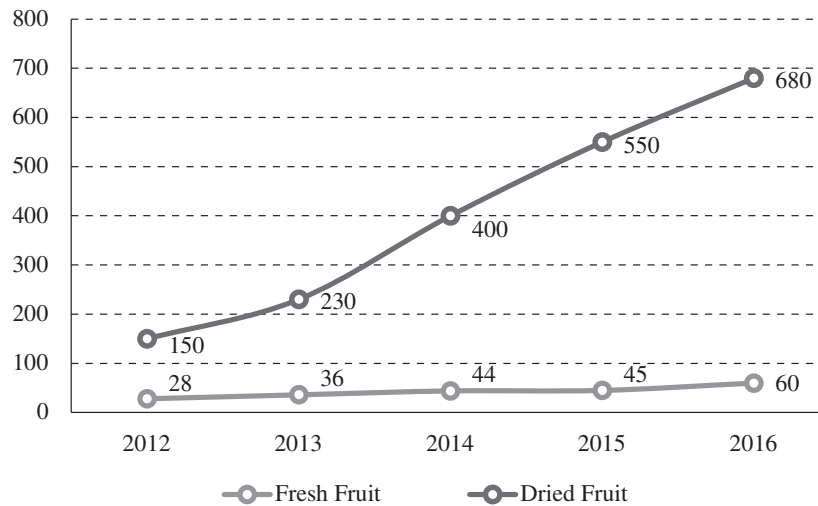
Source: The Research Report, citing Guangdong Academy of Agriculture Science

2. Trend of Price

With strong market demand in the downstream of the industry, the purchase price of Huajuhong keeps growing in recent years. Huajuhong generally divides into 3 species namely Zhengmao, Fumao and Guangqing. Since production amount of Zhengmao is little yet it contains the highest medicinal value, its price is always ahead of Fumao and Guangqing. According to the Research Report, the purchase price of fresh fruit and dried fruit of Huajuhong in Huazhou has reached 60 RMB/kg and 680 RMB/kg in 2016, representing a CAGR of 21% and 46% in the past 5 years respectively. In views of future prospect, as the standardization of the traditional Chinese medicinal material market

moves on, considering the uniqueness of the producing area, the upstream supply might not keep pace with the market demand, and the purchase price is still expected to keep rising in the near future.

Figure 10 — 3 Price Trend of Huajuhong Zhengmao Fruit in Huazhou from 2012 to 2016 (Unit: RMB/kg)



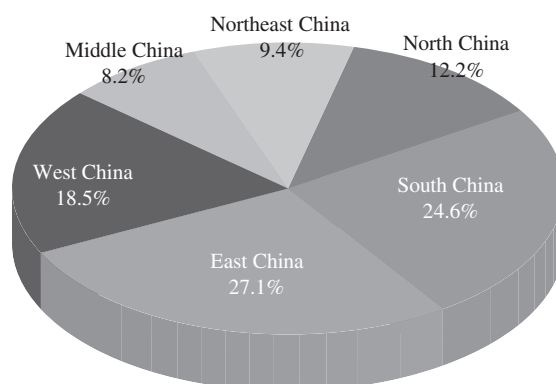
Source: *The Research Report, citing Statistics Bureau of Huazhou*

3. Consumers Distribution and Export

The main consumers and clients of Huajuhong are pharmaceutical manufacturers, food processing plants and personal consumers. Due to different recognition towards the product, the market varies from region to region in the PRC. As mentioned, the PRC market scale of Huajuhong in 2015 reached RMB0.41 billion. Particularly, the eastern and southern region of the PRC is the main consumption market of Huajuhong, which accounts for 27.1% and 24.6% respectively, following is the western and northern region of the PRC, where the occupancy rates are 18.5% and 12.2% respectively. In the southern region of the PRC especially Guangdong Province where is nearby the original producing

area, consumers are familiar with Huajuhong and have a high perception; also, it is convenient for many manufacturers and plants to purchase raw materials. As a result, there is stronger demand in this region and the market occupancy is relatively larger.

Figure 10 — 4 Consumers Distribution by Geography for Huajuhong Market in the PRC in 2015



Source: The Research Report, citing Guangdong Academy of Agriculture Science

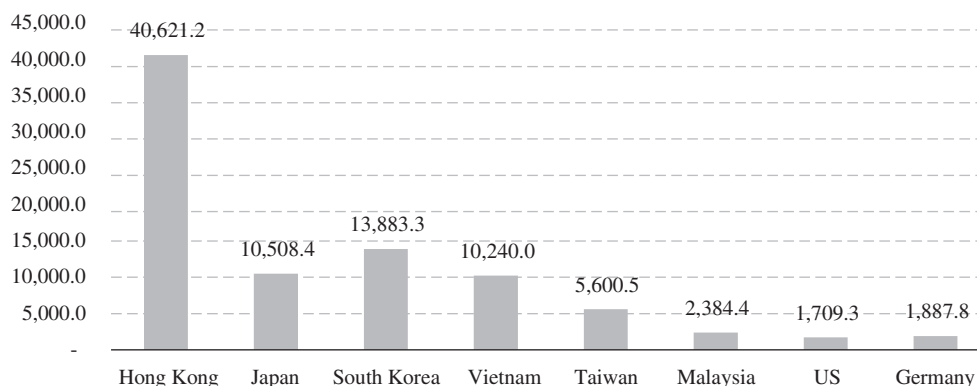
According to estimates of World Health Organization (“WHO”), over four billion people take Chinese herbal medicine to deal with various diseases and there is strong potential in development and utilization of herb medicines globally in the coming decade. As the original place of traditional herbs and biggest natural herbs exporter in the world, the PRC has the dominant advantage. Per the statistics of the PRC Customs, at present over 50 types of Huajuhong related products have been exported to over 20 countries and regions all around the world including Hong Kong, Japan, US and Europe.

Table 10 — 1 Export Volume and Value of Huajuhong Related Products

| | Volume (Tons) | Value (Million US Dollars) |
|--------------|---------------|----------------------------------|
| 2013 | 75,349.25 | 344.20 |
| 2014 | 96,974.49 | 468.79 |
| 2015 | 97,356.48 | 453.98 |
| Jan–Apr 2016 | 25,047.07 | 110.15 |

Source: The Research Report, citing the PRC Customs

Figure 10 — 5 Export Volume Distribution by Country of Huajuhong Related Products in 2015 (Unit: Tons)



Source: *The Research Report, citing the PRC Customs*

4. Government Policy

In 2009, the Huazhou Government formulated “¹²Huajuhong Planting Development Plan”, which aimed to achieve over RMB1 billion output value for the industry by implementing the complete supply chain covering standard planting, fine processing, and brand-building based sales. The government also issued various favourable policies on tax, financing to support the industry. According to “¹³Rules for National Agriculture Synthesized Development Funds and Project Management (No. 60 Order of Ministry of Finance)” and “¹⁴Implementing Opinions on Enhancing Modern Agriculture Development of National Agriculture Synthesized Development 2013 (No. [2013] 92 NASD)”, Huazhou has been approved to launch ten thousand mu of Huajuhong planting as “One County, One Speciality” project. In 2012, Huajuhong was honoured as Non-material Cultural Heritage of Guangdong Province. On May 31, 2015, Huajuhong was selected in the first batch as one of the eight legislative-protected Ling Nan tradition medicines and ranked on top.

In terms of future prospect, although the investment in Huajuhong industry keeps heating, however, considering the unique planting environment and geography district available for planting is limited, more industry investment may focus on deep processing in the long run.

¹² For identification only, original Chinese name is 《化州市化橘紅種植發展規劃》

¹³ For identification only, original Chinese name is 《國家農業綜合開發資金和項目管理辦法》(財政部令第60號)

¹⁴ For identification only, original Chinese name is 《國家農業綜合開發2013年推進現代農業發展的實施意見(試行)》(國農辦〔2013〕92號)

XI. COMPANY OVERVIEW

1. Eagle Legend Asia Limited

The Company, formerly known as “Manta Holdings Company Limited”, was listed on the Main Board of The Stock Exchange of Hong Kong Limited since 2010 under the stock code 936. The Company and its subsidiaries are principally engaged in trading of construction machinery and spare parts, leasing of construction machinery, providing repair and maintenance services in respect of construction machinery in Hong Kong, Macau, Singapore and Vietnam and manufacturing and sales of proprietary Chinese medicine and health products in the PRC.

2. Best Earnest Investments Limited

Best Earnest Investments Limited (the “Target”) is an investment holding company incorporated in the British Virgin Islands on 26 October 2012 with limited liability. It is wholly owned by the Vendor and effectively holds 80% equity interest in Guangdong Dahe as at the Valuation Date.

3. Vast Bloom Investment Limited

Vast Bloom Investment Limited (“Vast Bloom”) is an investment holding company incorporated in Hong Kong on 21 August 2015 with limited liability. It is wholly owned by the Target as at the Valuation Date.

4. Guangdong Dahe Biological Technologies Limited

Guangdong Dahe was established in the PRC on 30 September 2013 with limited liability. In January 2016, Vast Bloom contributed new capital into Guangdong Dahe, which represents 80% of the enlarged registered capital of Guangdong Dahe, and became its controlling shareholder. It is principally engaged in the cultivation, research, processing and sale of Huajuhong, a Chinese herbal medicine in the PRC. The principal asset of Guangdong Dahe was the Huajuhong cultivation project on the Woodlands in Huazhou City, Guangdong Province, the PRC.

5. Mr. He Xiaoyang

Mr. He Xiaoyang (the “Vendor”) is the sole beneficial owner of the Target.

XII. TRANSACTION OVERVIEW

On 27 October 2016, the Company and the Vendor entered into the acquisition agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire through its subsidiaries 51% issued share capital of the Target (the “Transaction”) at a consideration of HKD220 million. The consideration shall be payable to the Vendor as to HKD110 million by cash and HKD110 million by the issuance of the promissory note by the Company.

XIII. PROJECT OVERVIEW

1. Background

Guangdong Dahe was principally engaged in plantation of Huajuhong fresh fruits. The total area of the Woodlands was 2,151.36 mu, in which 1,260.2 mu was in production according to the Research Report.

The Woodlands was divided into 3 areas (i.e. Area A, B and C). The Huajuhong bearer plants located in Area A, B and C were planted in 2012, 2013 and 2014 respectively. The below table shows the details of the plantation base:

Table 13 — 1 Details of the Plantation base as at the Valuation Date

| | Number of Bearer Plant | Plantation Year | Age of Bearer Plant |
|--------|------------------------------|--------------------|---------------------------|
| Area A | 17,571 | 2012 | 4 years |
| Area B | 36,968 | 2013 | 3 years |
| Area C | <u>35,428</u> | 2014 | 2 years |
| Total | <u><u>89,967</u></u> | | |

Guangdong Dahe plants the Huajuhong fresh fruits in the Woodlands. The harvest period of Huajuhong fresh fruit is from April to June every year. The harvested Huajuhong fresh fruits are then processed to Huajuhong dried fruits and stocked each year for sales through company channel, revenue is then generated for Guangdong Dahe.

2. Site Inspection

During the course of our inspection work, it is the opinion of the Experts that the Huajuhong bearer plants were cultivated in suitable location with supporting plantation facilities. The soils for plantation were in favourable condition with irrigation facilities. The lifespan of the Huajuhong bearer plant is 36-year. The Experts observed that the plantation environment of Area A is better than Area B and C, in terms of water supply, fundamental plantation facilities, etc. This would cause the difference in annual production, but had no impact on the lifespan of Huajuhong bearer plant of each area.

During the site inspection period, the water supply system was still developing, which may result in insufficient water provision to Huajuhong bearer plant in summer and affect the growth of the Huajuhong bearer plant. According to the management of Guangdong Dahe, it is expected that the water supply system would be completed in late 2016. The completion of water supply system would improve the water provision. The Experts expected that such improvement would facilitate the growth of the Huajuhong bearer plant. It is expected that the Huajuhong bearer plant in both Area A, B and C would mature in the seventh plantation year and reach the maximum annual fresh fruits production capacity.

XIV. VALUATION METHODOLOGY

The valuation of any asset or business can be broadly classified into one of the three approaches, namely the asset approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

1. Asset Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Value is established based on the cost of reproducing or replacing the asset, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

We considered but rejected the asset approach to arrive at the fair values of the Equity Interest as at the Valuation Date due to the value of Guangdong Dahe is driven by the ability to generate a benefit stream rather than the values in the underlying assets.

2. Income Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which Guangdong Dahe operates, and other risks specific to the asset being valued.

We considered and rejected the income approach to arrive at the fair value of the Equity Interest as at the Valuation Date. The production of Huajuhong bearer plant is not matured as at the Valuation Date. Uncertainty lies within the involved assumptions in the income approach such as the quantity growth, price growth and capital expenditure. The projection of the timing of cash flow was subject to uncertainties which affected profitability.

3. Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should approximate one another.

We considered and accepted the market approach to arrive at the fair value of the Equity Interest as at the Valuation Date due to it reflects the approximate transaction price of a company or business in the market place. Since there are sufficient numbers of comparable public companies available in markets which facilitate a meaningful comparison, such method would be considered as appropriate and reliable.

XV. GENERAL ASSUMPTIONS OF VALUATION

A number of general valuation assumptions have to be established in order to sufficiently support our conclusion. The general assumptions adopted in this valuation are:

1. There would be no material changes in the existing political, legal, fiscal, foreign trade and economic conditions in countries where Guangdong Dahe is carrying on its business;
2. There would be no significant deviation in the industry trend and market condition from the current market expectation;
3. There would be no major change in the current taxation law in the PRC and countries of origin of our comparable companies;
4. There would be no material changes in interest rates or foreign currency exchange rates from those currently prevailing;
5. All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application; and
6. Guangdong Dahe would retain competent management, key personnel, and technical staff to support the ongoing operation of its business.

XVI. SPECIFIC ASSUMPTIONS OF VALUATION

In this valuation, specific assumptions were made as follows:

1. There would be no material difference on health condition and quality of the Huajuhong bearer plant between the site inspection period in early May 2016 and the latest valuation date which is 31 July 2016;
2. Quantity of the inventory breakdown provided by the management of Guangdong Dahe was accurate under satisfactory internal control;
3. The growth condition of the Huajuhong bearer plant within the same area is uniform regardless of the nutritional treatment, soil conditions or sunlight coverage;
4. No adverse weather condition, plant disease or bacterial infection are materially present by which the growth condition of the Huajuhong bearer plant may be impaired; and
5. The historical prices of Huajuhong dried fruits could represent a reasonable expectation of the future prices.

XVII. MARKET APPROACH

Guideline Public Company Method

The premise behind the Guideline Public Company Method is that prices of publicly traded stocks in the same or a similar industry provide objective evidence as to values at which investors are willing to buy and sell interest of companies in that industry.

In applying Guideline Public Company Method, we compute a valuation multiple for various benefit streams for each Guideline Public Company. The appropriate valuation multiple is determined and adjusted for the unique aspects of the subject company being valued. This valuation multiple is then applied to the subject company being valued to arrive at an estimate of value for the appropriate ownership interest. Since the purpose of the valuation is to determine the Equity Interest, the valuation multiples are based on equity value.

A valuation multiple represents a ratio that using a comparative company's market value as at the Valuation Date as the numerator and a measure of the company's operating results (or financial position) as the denominator. In the valuation of the Equity Interest, the most preferable valuation multiple for valuing equity value is Price-to-Earnings ("P/E"). P/E is an appropriate valuation multiple for the valuation of the Equity Interest because it measures the amount an investor, or a shareholder, is paying for a dollar of earnings.

Once we have selected a number of Guideline Public Companies and make the necessary adjustments to their financial information, the next step is to determine and compute the appropriate valuation multiples, and the calculation method is the same for all selected Guideline Public Companies. The process of computing the valuation multiple in this case consists of the following procedures:

1. Determination of the equity value for each Guideline Public Companies as at the Valuation Date. The equity value for each Guideline Public Companies, which is the market capitalization, is made reference to Bloomberg as at the Valuation Date.
2. Determination of the measure of operating result, which is earning for the appropriate time period. This measure of operating result represents the denominator of the valuation multiple.

The application of this method depends on the selection of Guideline Public Companies that are similar enough to the underlying business of Guangdong Dahe so as to provide a meaningful comparison. We exercised due care in the selection of Guideline Public Companies by using reasonable criteria in deciding whether or not a particular Guideline Public Companies is relevant. When the similarity between the subject company and the Guideline Public Companies is so low that a meaningful comparison cannot be made, we would then question the use of this Guideline Public Company Method.

1. Selection of Guideline Public Companies

Due care was exercised in the selection of Guideline Public Companies by using reasonable criteria in deciding whether or not a particular company is relevant. In selecting the Guideline Public Companies, we started with a description of the potential companies, in terms of lines of business, market location of business, financial result and other criteria. In order to comprise a representative set of guideline public companies to derive the valuation result, certain criteria has to be set to ensure similarity between the guideline public companies and Guangdong Dahe. First, it is focused to identify listed companies which owns cultivation area for production. After that we narrow down the pool of listed companies in which major business location is in the PRC, these criteria would keep the selection having similar operation and geographical exposure as Guangdong Dahe. As a result, nearly 30 listed companies with similar business exposure of Guangdong Dahe were identified. Afterwards, more thorough studies have been carried out to confine the selection of guideline public companies. Companies with the following criteria were eliminated from our pool of guideline public companies:

- Inactive stocks were rejected in the selection;
- Loss making companies were rejected as they were not allowed to apply the P/E valuation multiple;
- Companies with different operating segment as Guangdong Dahe were also filtered out to ensure similarity in comparison; and

- Newly listed companies went public within a year were also rejected to avoid the effect of volatile price movement on selected P/E valuation multiple.

We then identified 16 comparable companies and calculated the P/E of each of the companies for analysis purpose.

Based on the analysis, it is observed that the 16 comparable companies record a wide range of P/E from 7.5x to 446.4x with mean, median, upper quartile and lower quartile at 143.9x, 135.4x, 190.0x and 36.0x respectively. It is also observed that the P/E of listed companies in the PRC are higher than those listed in other countries such as Hong Kong and Singapore. This may be due to difference in trading behaviours and government policy in different countries. However, as the guideline public companies selected, though listed in different countries, operate their businesses in the PRC as Guangdong Dahe does and there is no evidence that any market is fairer than the others, we shall not eliminate any of the selection.

Financial performance of the 16 comparable companies was then studied. Given that the net profit margin of Guangdong Dahe is above industry average, companies with unsatisfactory financial performance with reference to trailing 12 months net profit margin were rejected to enhance comparability between the selected guideline public companies and Guangdong Dahe.

Through the extensive and comprehensive research, we have then identified six listed companies as our comparables to Guangdong Dahe with the aforesaid criteria. The following is the list of Guideline Public Companies that we have selected in connection with the valuation of the Equity Interest:

Table 17 — 1 Guideline Public Companies of Guangdong Dahe

| | Guideline Public Companies | Ticker | Principal Business Activities |
|---|---|---------------|---|
| 1 | Tianyi Summi Holdings Ltd | 756 HK | <ul style="list-style-type: none"> • Produces and sells not-from-concentrate orange juice, frozen concentrated orange juice and other related products. • Operates orange plantation and sells fresh oranges. |
| 2 | Tianshui Zhongxing Bio-tech Co. Ltd | 002772 CH | <ul style="list-style-type: none"> • Producer of edible fungi |
| 3 | China Greenfresh Group Co. Ltd | 6183 HK | <ul style="list-style-type: none"> • Produces edible fungi and vertically integrates from cultivation to sales of fresh and canned fungi products. |
| 4 | Shandong Denghai Seeds Co. Ltd | 002041 CH | <ul style="list-style-type: none"> • Produces and sells crop seeds such as corn seeds and vegetable seeds and flowers and plants. |
| 5 | Yamada Green Resources Ltd | YGR SP | <ul style="list-style-type: none"> • Grows, manufactures, and supplies fresh and processed agricultural products. |
| 6 | Yuan Longping High-tech Agriculture Co. Ltd | 000998 CH | <ul style="list-style-type: none"> • Produces and markets seeds of grains, vegetables, and fruits. |

Source: Bloomberg

We believe that the selected listed companies are sufficiently comparable to the operations of the Guangdong Dahe and give a meaningful comparison. These companies were selected as Guideline Public Companies because they all engaged in agricultural segment and have own cultivation area in the PRC, and such lines of business are comparable to those of Guangdong Dahe. Details of the calculation of valuation multiples for the Guideline Public Companies are as follows:

Table 17 — 2 Valuation Multiples for Guangdong Dahe

| | Ticker | Market Capitalisation (in millions) | Net Income (in millions) | P/E |
|----|---------------|--|-------------------------------------|------------|
| 1. | 756 HK | RMB807.29 | RMB67.88 | 11.9x |
| 2. | 002772 CH | RMB7,332.71 | RMB114.38 | 64.1x |
| 3. | 6183 HK | RMB1,641.77 | RMB217.73 | 7.5x |
| 4. | 002041 CH | RMB13,666.40 | RMB441.88 | 30.9x |
| 5. | YGR SP | RMB284.60 | RMB37.04 | 7.7x |
| 6. | 000998 CH | RMB23,767.20 | RMB463.37 | 51.3x |
| | Median | | | 21.4x |

Source: Bloomberg

The median value of these valuation multiples is selected for the valuation of the non-marketable equity interest in Guangdong Dahe to minimise the effect from outliers. Selected valuation multiple for the valuation is listed as below:

| Selected Valuation Multiple | Median |
|------------------------------------|---------------|
| P/E | 21.4x |

2. Determination of Value

Based on the investigation and analysis stated above and on the valuation method employed, it was our opinion that the fair value of 100% equity interest in Guangdong Dahe was as follows:

Table 17 — 3 Valuation Summary for the Equity Interest

| Guangdong Dahe | | P/E |
|---|------------|----------------------------------|
| Selected Valuation Multiple | | 21.4x |
| Subject Financial Performance: | | |
| *Net Income for Trailing 12 months ended 31 July 2016 | RMB | 27,257,928 |
| Implied Equity Value | RMB | 583,590,223 |
| Add: Control Premium | 5% | <u>29,179,511</u> |
| Implied Equity Value after Control Premium | RMB | 612,769,735 |
| Less: Discount for Lack of Marketability ("DLOM") | 25% | <u>(153,192,434)</u> |
| Implied Equity Value after Control Premium and DLOM | RMB | 459,577,301 |
| Exchange Rate of RMB:HKD | | 1.18 |
| Implied Equity Value after Control Premium and DLOM | HKD | 542,301,215 |
| Fair value of 100% Equity Interest in Guangdong Dahe (rounded) | HKD | <u><u>542,301,000</u></u> |

* the net income for trailing 12 months ended 31 July 2016 is the net profit after tax attributable to shareholder, which referred to the management accounts provided by the management of Guangdong Dahe prepared in accordance with the PRC GAAP.

3. Analysis on Value of Plantation Area

As mentioned previously, Guangdong Dahe holds the Woodlands in Huazhou City, Guangdong Province, the PRC as the major asset of Guangdong Dahe and the Huajuhong bearer plant are grown on the Woodlands. As such, the value of the Woodlands shall represent the value of Guangdong Dahe.

Intuitively, if woodland is larger in area, more plantation products would be able to produce within the area, thus the revenue generated by selling the corresponding plantation products would have increased. Put through the logic, the value of comparable Guideline Public Companies attributed to the sales of plantation products relies on the size of the area of the woodland owned. On the other hand, the choice of plantation products in the woodland would also affect the sales volume of the products as the different plantation products shall have different prices on the market. As an industry practice, ratio of gross profit per area of woodland is applied as an adjustment factor to adjust for the difference in plantation products between Guangdong Dahe and the comparable Guideline Public Companies. Details of the calculation of price-to-area multiple (“P/Area”) and the adjustment factor are as follows:

Table 17 — 4 Price-to-area Multiple and Adjustment Factor for Guangdong Dahe

| Ticker | Market Capitalisation Attributed to Woodland Plantation (in millions) | Woodland Area* (in mu) | P/Area | Adjustment Factor: Ratio of Gross Profit per Area | Adjusted P/Area |
|--------------|---|------------------------|----------|---|-----------------|
| 1. 756 HK | RMB149.56 | 76,000 | 1,968x | 226.81 | 446,323x |
| 2. 002772 CH | RMB7,355.77 | N/A | N/A | N/A | N/A |
| 3. 6183 HK | RMB524.75 | 1,965 | 267,047x | 1.79 | 477,555x |
| 4. 002041 CH | RMB13,417.23 | 180,000 | 74,540x | 14.86 | 1,107,956x |
| 5. YGR SP | RMB72.67 | 117,176 | 620x | 484.92 | 300,740x |
| 6. 000998 CH | RMB23,457.18 | 500,000 | 46,914x | 43.30 | 2,031,551x |
| Median | | | | | 477,555x |

* Best available information extracted from the annual report, company website and the Internet

Source: GCA Research

According to discussion with the management of Guangdong Dahe and the Research Report, the Huajuhong bearer plant was first planted in the Woodlands in 2012 and consecutively in 2013 and 2014. As at the Valuation Date, the plantation area in production of the Woodlands only constitutes 1,260.2 mu, which is stated in the Research Report, and thus it serves as the basis of plantation area of Guangdong Dahe and applied with aforementioned adjusted P/Area multiple to arrive at valuation of RMB473,928,761 after adjusting for control premium and discount for lack of marketability (“DLOM”).

The adoption of P/E multiple requires data of the guideline public companies including the market price and latest reported net income as at the Valuation Date. The latest data could be retrieved from the Bloomberg terminal or annual report. While on the other hand, the adjusted P/Area multiple requires data of plantation area of the guideline public companies which are only the best available information gathered from the company website or the Internet. Comparing the reliability and accuracy of the data collected, we considered it is more reasonable to adopt the P/E valuation multiple in the market approach and the adjusted P/Area multiple is thus served for cross-checking only.

4. Conclusion of Fair Value in the Market Approach

Before we concluded the fair value in the market approach, we have considered the following factors:

- P/E valuation multiple indicates the dollar amount an investor can expect to invest in a company in order to receive one dollar of that company's earnings. Given Guangdong Dahe was profitable in trailing 12 months and last financial year, the application of P/E valuation multiple is reasonable;
- All the comparable companies have major business operations in the PRC. We observed that the valuation of public agricultural companies in the PRC was generally higher than the public agricultural companies in Hong Kong and other regions. Since there was no evidence showing which market was fairer than the other, it was reasonable to consider comparable companies from both markets. Further work done was required to justify a reasonable conclusion; and
- Analysis on value of plantation area was performed which studied the valuation based on plantation area, which was one of the fundamental indicators of value of an agricultural company. The result is for cross-checking purpose and supported the conclusion by P/E valuation multiple.

Table 17 — 5 Comparison on Valuation Multiples for Guangdong Dahe

| Valuation Multiple | | Adjusted P/Area (Cross- checking) | P/E |
|---|------------|--|----------------------|
| Implied Equity Value | | 601,814,299 | 583,590,223 |
| Add: Control Premium | 5% | <u>30,090,715</u> | <u>29,179,511</u> |
| Implied Equity Value after Control Premium | | 631,905,014 | 612,769,735 |
| Less: Discount for Lack of Marketability (“DLOM”) | -25% | <u>(157,976,254)</u> | <u>(153,192,434)</u> |
| Implied Equity Value after Control Premium and DLOM | RMB | 473,928,761 | 459,577,301 |
| Exchange Rate of RMB:HKD | | | 1.18 |
| Implied Equity Value after Control Premium and DLOM | HKD | 559,235,938 | 542,301,215 |
| Fair value of 100% Equity Interest in Guangdong Dahe (rounded) | HKD | 559,236,000 | 542,301,000 |

XVIII. CONTROL PREMIUM

Premium for control is generally regarded as the amount in excess of the current traded market price that a buyer is willing to pay to acquire the control of a publicly traded company. A buyer is willing to pay a premium for control when obtaining the controlling advantages they would not receive if only a minority interest was purchased.

Estimating the value of premium for control is necessary when valuing large blocks of shares. The size of the premium for control varies from industry to industry, with the size of the company.

In the valuation of the Equity Interest, P/E valuation multiple of the Guideline Public Companies is computed, with reference to the net income and the market capitalization of the Guideline Public Companies. The share prices obtained were on a minority basis. On the other hand, this transaction involved equity interest of Guangdong Dahe on a controlling basis, so it is reasonable to apply a premium for control to reflect this advantage.

With reference to the FactSet Mergerstat Review 2016 (Author: Factset Mergerstat, Publisher: Business Valuation Resources, LLC), research is performed showing the average percent premium offered for a controlling equity interest to that for a minority interest. In 2015, the average premium offered for a controlling equity interest is 48.5%, while the average premium offered for a minority equity interest is 41.7%. The control premium is computed by $(1+48.5\%)/(1+41.7\%)-1=4.8\%$. We consider a premium for control of 5% is fair and reasonable for the valuation of the Equity Interest.

XIX. DISCOUNT FOR LACK OF MARKETABILITY

DLOM is the valuation adjustment with the largest single monetary impact on the final determination of value. Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimal transaction costs. DLOM is a downward adjustment to the value of an investment to reflect its reduced level of marketability.

In selecting the appropriate DLOM, we considered the length of time and effort required by management in order to sell the interest. This typically would take at least three to nine months if a transaction could be consummated at all. We considered the expenses that are typically incurred to sell a business which are substantial such as legal fees, accounting fees and intermediary fees.

In the valuation of the Equity Interest, P/E valuation multiple of the Guideline Public Companies is computed. Guideline Public Companies are listed companies, while Guangdong Dahe is a private company. The level of marketability of the equity interest of a private company is considered lower than a listed company. In selling a private equity, it is expected that longer time, higher effort and higher cost would be incurred. As such, DLOM is considered as a downward adjustment on the value of Guangdong Dahe, which is a private equity, when comparing with listed companies.

With reference to the FactSet Mergerstat Review 2016 (Author: Factset Mergerstat, Publisher: Business Valuation Resources, LLC) , research is performed showing the median P/E offered in acquisitions of public companies to that of acquisitions of private companies. The average computed DLOM from 2006 to 2015 is 26% (with a median of 22%). We consider a DLOM of 25% is fair and reasonable for the valuation of the Equity Interest.

XX. SENSITIVITY ANALYSIS

P/E valuation multiple plays pivotal role in the valuation as it is very sensitive to the fair value of 100% equity interest in Guangdong Dahe. The fair values of the 100% equity interest in Guangdong Dahe under different values of P/E valuation multiple are presented below:

Table 20 — 1 Sensitivity Analysis of P/E Valuation Multiple for the Equity Interest

| P/E Valuation Multiple | Fair Value of 100% Equity Interest of Guangdong Dahe (HKD'000) |
|-------------------------------|---|
| 19.4 (-2) | 491,642 |
| 20.4 (-1) | 516,972 |
| 21.4 | 542,301 |
| 22.4 (+1) | 567,631 |
| 23.4 (+2) | 592,960 |

XXI. SYNTHESIS AND RECONCILIATION

The following comparative data summarizes the various methods that we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method and to the facts and circumstances of Guangdong Dahe, and strength/weaknesses are discussed.

Asset Approach

Replacement, Liquidation or Book Value Method N/A

Application..... Rejected

Income Approach

Discounted Cash Flow Method N/A

Application..... Rejected

Market Approach

Guideline Public Company Method..... HKD542,301,000

Application..... Accepted

In this valuation, the market approach is preferably adopted. The market approach provides a market participants' view on the fair value of the subject. Therefore, we considered and applied the market approach to this valuation and the fair value of 100% equity interest in Guangdong Dahe is HKD542,301,000.

XXII. RISK FACTOR

The following were the major factors affecting the result of the valuation of the Equity Interest:

1. Environmental Factors and Natural Disasters

The productivity of the Huajuhong bearer plant was highly subject to the effect of environment factors such as weather and infectious diseases. Typical risks, including the occurrence of forestry fire, frost, heavy snow, typhoons, pests and infectious diseases, would have a material impact on the productivity, and hence the fair value of the Equity Interest.

2. Fluctuation of Prices

The pricing data of the Huajuhong dried fruits obtained from the market or the historical selling price provided by the management of Guangdong Dahe was heavily dependent on market competition and consumers' purchasing preference the Huajuhong dried fruits. So the range of price of the Huajuhong dried fruits could be wide. The timing of supply and demand further heightened the uncertainty of the price estimates for which the product would be sold in a particular year. Competition from online suppliers' platform (e.g. Alibaba and Taobao) may indirectly weaken the bargaining power of Guangdong Dahe in recovering the plantation costs plus margin from its customers. As such, the prices may be volatile and subject to various assumptions on inputs.

3. Legal rights concerning the use of farmlands

The legal administrative framework for sub-urban and rural farmlands in the PRC was not as developed as those for urban lands. Thus, there were risks associated with the ownership, leasing and land use rights concerning the validity and legality of the negotiated arrangements between the land owners (i.e. often the farmers) and Guangdong Dahe, hence heightening the uncertainty on the recoverability of the economic value of the Huajuhong bearer plant if potential conflicts arise.

4. Single Product

In the future plan of Guangdong Dahe, the farmlands are designed for full production of Huajuhong fruit only. The equipment and the fertilizers are also bought for this cultivation only. The sole product of Guangdong Dahe would become the major weakness of itself if there is fade of trend for the Huajuhong dried fruit or deteriorating quality of the Huajuhong dried fruit would drive out the customers. The inability of diversifying its revenue stream would make Guangdong Dahe suffer if there is no contingent business plan.

XXIII. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and Guangdong Dahe.

The opinions expressed in this report have been based on the information supplied to us by the Company and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management of the Company. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

XXIV. CONCLUSION OF VALUE

In conclusion, based on the analysis stated above and the valuation methods employed, it was our opinion that the fair value of the 40.8% equity interest in Guangdong Dahe Biological Technologies limited was as follows:

| | Fair Value as at 31 July 2016 |
|--|--|
| 100% Equity Interest in Guangdong Dahe Biological Technologies Limited | HKD542,301,000 |

The opinion of value was based on generally accepted valuation procedures and practices that relied extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which could be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED

Max K.P. Tsang, CPA, CFA, FRM, MStat
Director

Analysed and Reported by:

Marvin K.C. Wong, CPA
Manager, Business Valuation and Transaction Advisory

Keith Y.K. Lui, FRM
Assistant Manager, Business Valuation and Transaction Advisory

INVOLVED STAFF BIOGRAPHY

Max K.P. Tsang, CPA, CFA, FRM, MStat
Director

Mr. Tsang has been working in the professional valuation field since 2011. Before joining the valuation field, he worked in banking and finance sector from 2008. Mr. Tsang has been leading the team of business valuation for private and listed companies for the purposes of financial reporting, initial public offerings, mergers and acquisitions, financing, tax and litigation support purposes. Mr. Tsang has extensive experience in serving over hundred enterprises in Hong Kong, the PRC, Singapore and the United States. The scope of services includes business valuation, biological assets and intangible asset valuation such as trademarks, distribution networks, patents and customer relationship. His experience covers a wide range of industries including agriculture, financial services, infrastructure, telecommunications, information technology, retail, real estate, mining and multimedia. Mr. Tsang has 4 years of experience in valuation of biological assets including forest, fruit trees and tea.

Marvin K.C. Wong, CPA
Manager, Business Valuation and Transaction Advisory

Mr. Wong is experienced in performing business valuation for private and public companies on industries including but not limited to tea plantation, forest, infrastructure, manufacturing, marketing, pharmacy and trading. He has experience in valuation of intangible assets including customer relationships, trademarks of an international toy company, concession right, mining right, patents and distribution network of a pharmaceutical company, etc. Mr. Wong has 3 years of experience in valuation of biological assets including forest and tea.

Keith Y.K. Lui, FRM

Assistant Manager, Business Valuation and Transaction Advisory

Mr. Lui is experienced in performing business valuation of business for private and public companies. He has the experience in performing valuation of business and intangible assets for different industries including food & beverage, retail, manufacturing and public utility industries. Mr. Lui has 3 years of experience in valuation of biological assets including tea.

GENERAL SERVICE CONDITIONS

The service(s) provided by Greater China Appraisal Limited will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Greater China Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules were as follows:

Long positions in ordinary Shares and underlying Shares

| Name of Director | Nature of interests | Number of Shares | Approximate percentage of issued Shares |
|------------------|--------------------------------------|-----------------------------|---|
| Mr. Zeng Li | Interest in a controlled corporation | 600,000,000 (<i>Note</i>) | 62.50% |

Note: These Shares were held by Harbour Luck which is wholly and beneficially owned by Mr. Zeng Li. By virtue of the SFO, Mr. Zeng Li is deemed to be interested in the Shares held by Harbour Luck.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

3. DIRECTORS' SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract or service agreement with any member of the Enlarged Group which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

- (i) The service contracts between the Company and each of the executive Directors, Mr. Zeng Li, Mr. Winerthan Chiu and Mr. Chan Ka Lun for a term of two years unless terminated by either party by giving not less than one month's written notice to the other party. The service contracts of Mr. Zeng Li and Mr. Winerthan Chiu commenced from 22 December 2014 and the service contract of Mr. Chan Ka Lun commenced from 1 July 2015.
- (ii) The letters of appointment between the Company and each of the independent non-executive Directors for a term of two years unless terminated by either party by giving not less than one month's written notice to the other party. All letters of appointment commenced from 22 December 2014.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date:

- (i) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group; and
- (ii) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Enlarged Group.

6. LITIGATION

Save as disclosed in the section "Lawsuits relating to the Woodlands" contained in the Letter from the Board in this circular, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. MATERIAL ADVERSE CHANGE

As disclosed in the interim report of the Company for the six months ended 30 June 2016 published on 8 September 2016, the Group recorded an unaudited net loss before income tax of approximately HK\$26.1 million for the six months ended 30 June 2016 as compared to an unaudited net loss before income tax of approximately HK\$12.9 million for the same period in 2015. Such an increase was mainly attributable to (i) the drop of profit margin in construction equipment business in Hong Kong segment and manufacturing and sales of proprietary Chinese medicines and health products business in the PRC segment; and (ii) the increase in legal and professional fee.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Enlarged Group within the two years immediately preceding the date of this circular:

- (i) the placing agreement dated 23 June 2016 entered into between the Company, as the issuer, and Fulbright Securities Limited, as the placing agent, in relation to the placing of up to 160,000,000 new Shares at the placing price of HK\$1.220 per Share on best effort basis, which was completed on 15 July 2016 and the net proceeds of which amounted to approximately HK\$193.0 million; and
- (ii) the Acquisition Agreement.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinion or advice which are contained in this circular:

| Name | Qualifications |
|---------------------------------|------------------------------|
| BDO Limited | certified public accountants |
| GFE Law Office (廣東恒益律師事務所) | PRC legal adviser |
| Greater China Appraisal Limited | independent valuer |

As at the Latest Practicable Date, each of the above experts (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the

Group were made up), acquired, disposed of by, or leased to any member of the Enlarged Group, or were proposed to be acquired, disposed of by, or leased to any member of the Enlarged Group; and (iii) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the reference to its name included herein in the form and context in which they respectively appear.

10. GENERAL

- (i) The registered office of the Company is situated at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is Room 3607, 36/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.
- (ii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iii) The company secretary of the Company is Mr. Chan Tai Wah Calvin, who is a practising fellow of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.
- (iv) In case of inconsistency, the English text of this circular shall prevail over its Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at Room 3607, 36/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong from the date of this circular and up to and including the date which is 14 days from the date of this circular:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the two years ended 31 December 2014 and 2015 and the interim report of the Company for the six months ended 30 June 2016;
- (iii) the accountants' reports of the Target Group and Guangdong Dahe issued by BDO Limited as set out in Appendix II and III to this circular respectively;
- (iv) the report on the unaudited pro forma financial information of the Enlarged Group assuming Completion takes place issued by BDO Limited as set out in Appendix IV to this circular;
- (v) the valuation report of Guangdong Dahe issued by Greater China Appraisal Limited as set out in Appendix V to this circular;
- (vi) the Directors' service contracts and letters of appointment referred to in the section headed "Directors' service contracts" in this appendix;

- (vii) the material contracts referred to in the section headed “Material contracts” in this appendix;
- (viii) the written consents referred to in the section headed “Experts and consents” in this appendix; and
- (ix) this circular.