THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in EverChina Int'l Holdings Company Limited (the "**Company**"), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

EVERCHINA INT'L HOLDINGS COMPANY LIMITED
潤 中 國 際 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

MAJOR AND CONNECTED TRANSACTION AND NOTICE OF GENERAL MEETING

Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders

VEDA | CAPITAL
智 略 資 本

A letter from the board of directors of the Company is set out on pages 4 to 22 of this circular.

A notice convening the general meeting of the Company to be held at Suites 601–603, 6/F., Everbright Centre, 108 Gloucester Road, Wanchai at 10:30 a.m. on Thursday, 26 July 2018 is set out on pages GM-1 to GM-2 of this circular. A form of proxy for use at the general meeting of the Company is enclosed with this circular.

Whether or not you are able to attend the general meeting of the Company, you are requested to complete the accompanying form of proxy in accordance with instructions printed thereon and return it to the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time for holding the general meeting of the Company or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the general meeting of the Company or any adjournment thereof should you so wish.

28 June 2018

CONTENTS

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

"**Acquisition**"	the proposed acquisition of the Sale Shares and the Sale Loan by the Company from Mr. Jiang pursuant to the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018)
"**Adjustment**"	has the meaning ascribed to it in the paragraph headed "The Consideration and the Adjustment" in the section headed "The Sale and Purchase Agreement" of "The Letter of the Board" of this circular
"**associate(s)**"	has the meaning ascribed to it under the Listing Rules
"**Board**"	the board of Directors
"**Bolivia**"	the Plurinational State of Bolivia
"**Bolivian Company**"	Empresa Agropecuaria Novagro S.A.
"**BVI**"	the British Virgin Islands
"**Company**"	EverChina Int'l Holdings Company Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on the Stock Exchange
"**Completion**"	completion of the Acquisition
"**connected person(s)**"	has the meaning ascribed to it under the Listing Rules
"**Consideration**"	the aggregate consideration of US$46,000,000 (equivalent to approximately HK$358,800,000) for the sale and purchase of the Sale Shares and the Sale Loan under the Sale and Purchase Agreement
"**Directors**"	directors of the Company
"**El Recreo**"	the agricultural plot of land located at Obispo Santisteban Province, Santa Cruz, Bolivia with an aggregate site area of approximately 4,863.23 hectares
"**Enlarged Group**"	the Group as enlarged upon Completion

"**Farm**"	the agricultural farm operated by the Bolivian Company on El Recreo, Tres Marias Fundo A and Tres Marias I Lots 1 to 5 for cultivation of soybean, corn and rice with the aggregate site area for agricultural land use of not less than 8,700 hectares according to environment stratification analysis
"**GM**"	the general meeting of the Company to be convened to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
"**Group**"	the Company and its subsidiaries
"**Hong Kong**"	Hong Kong Special Administrative Region of the PRC
"**Independent Board Committee**"	the independent committee of the Board (consisting of all independent non-executive Directors) formed to consider the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018) and the transactions contemplated thereunder
"**Independent Financial Adviser**"	Veda Capital Limited
"**Independent Shareholders**"	Shareholders other than Mr. Jiang and his associates
"**Latest Practicable Date**"	26 June 2018, being the latest practicable date prior to the bulk-printing of this circular for the purpose of ascertaining certain information contained in this circular
"**Listing Rules**"	the Rules Governing the Listing of Securities on the Stock Exchange
"**Mr. Jiang**"	Mr. Jiang Zhaobai, a substantial Shareholder, an executive Director and the chairman of the Company
"**Pengxin Agricultural**"	Pengxin Agricultural Holdings Company Limited
"**Pengxin Agricultural Group**"	Pengxin Agricultural and its subsidiaries, including the Bolivian Company
"**PRC**"	the People's Republic of China (which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"**Sale and Purchase Agreement**"	the sale and purchase agreement dated 13 June 2017 entered into between the Company and Mr. Jiang in relation to the Acquisition

"**Sale Loan**"	the aggregate sum due and owing by Pengxin Agricultural to Mr. Jiang immediately prior to Completion
"**Sale Shares**"	100 shares of US$1.00 each in the capital of Pengxin Agricultural, being the entire issued share capital of Pengxin Agricultural as at the Latest Practicable Date
"**SFO**"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"**Shareholders**"	holder(s) of the Shares
"**Shares**"	the shares of the Company
"**Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**Tres Marias Fundo A**"	the agricultural plot of land located at Obispo Santisteban Province, Santa Cruz, Bolivia with an aggregate site area of approximately 4,872.69 hectares
"**Tres Marias I Lot 1**"	the agricultural plot of land located at Obispo Santisteban Province, Santa Cruz, Bolivia with an aggregate site area of approximately 1,260 hectares
"**Tres Marias I Lot 2**"	the agricultural plot of land located at Obispo Santisteban Province, Santa Cruz, Bolivia with an aggregate site area of approximately 375 hectares
"**Tres Marias I Lot 3**"	the agricultural plot of land located at Obispo Santisteban Province, Santa Cruz, Bolivia with an aggregate site area of approximately 375 hectares
"**Tres Marias I Lot 4**"	the agricultural plot of land located at Obispo Santisteban Province, Santa Cruz, Bolivia with an aggregate site area of approximately 375 hectares
"**Tres Marias I Lot 5**"	the agricultural plot of land located at Obispo Santisteban Province, Santa Cruz, Bolivia with an aggregate site area of approximately 272.75 hectares
"**HK$**"	Hong Kong dollars, the lawful currency of Hong Kong
"**MT**"	metric tonnes
"**US$**"	US dollars, the lawful currency of the United States of America
"**%**"	per cent.

In this circular, US$ are converted into HK$ on the basis of US$1 = HK$7.8 for illustrative purpose.

EVERCHINA INT'L HOLDINGS COMPANY LIMITED
潤 中 國 際 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

Executive Directors:
Mr. Jiang Zhaobai *(Chairman)*
Mr. Shen Angang
Mr. Lam Cheung Shing, Richard
Mr. Chen Yi, Ethan

Independent non-executive Directors:
Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Professor Shan Zhemin

Registered office:
Suites 601–603, 6th Floor
Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong

28 June 2018

To the Shareholders,

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
AND
NOTICE OF GENERAL MEETING

INTRODUCTION

On 13 June 2017 (after trading hours of the Stock Exchange), the Company entered into the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018) with Mr. Jiang in relation to the Acquisition. Pursuant to the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018), the Company has conditionally agreed to acquire and Mr. Jiang has conditionally agreed to dispose of the Sale Shares and the Sale Loan at the aggregate Consideration of US$46,000,000 (equivalent to approximately HK$358,800,000), subject to the Adjustment.

As the applicable percentage ratios in respect of the Acquisition are above 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Mr. Jiang, an executive Director and the chairman of the Company, was interested in 1,742,300,000 Shares, representing approximately 28.66% of the issued share capital of the Company. Accordingly, Mr. Jiang is a connected person of the Company and the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, subject to the reporting, announcement and the Independent Shareholders' approval requirements.

The purpose of this circular is to provide you with, among other things, (i) further information on the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018); (ii) the financial information relating to the Pengxin Agricultural Group; (iii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (v) the notice of the GM; and (vi) other information as required under the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date

13 June 2017 (after trading hours of the Stock Exchange, and as supplemented by two extension notices dated 20 December 2017 and 26 March 2018)

Parties

Purchaser:	the Company
Vendor:	Mr. Jiang, an executive Director and the chairman of the Company. As at the Latest Practicable Date, Mr. Jiang was interested in 1,742,300,000 Shares, representing approximately 28.66% of the issued share capital of the Company. Therefore, he is a connected person of the Company under the Listing Rules

Assets to be acquired

(a) the Sale Shares, representing the entire issued share capital of Pengxin Agricultural, which held 99.99% of the Bolivian Company as at the Latest Practicable Date (and Pengxin Agricultural will acquire the remaining 0.01% interest of the Bolivian Company prior to Completion), which in turn held six agricultural plots of land (namely (i) El Recreo, (ii) Tres Marias Fundo A, (iii) Tres Marias I Lot 1, (iv) Tres Marias I Lot 2, (v) Tres Marias I Lot 3 and (vi) Tres Marias I Lot 4) in Bolivia, and had purchased the adjacent agricultural plot of land Tres Marias I Lot 5 in Bolivia; and

(b) the Sale Loan, being the aggregate sum due and owing by Pengxin Agricultural to Mr. Jiang immediately prior to Completion.

As at the Latest Practicable Date, the amount owed by Pengxin Agricultural to (i) Mr. Jiang amounted to approximately US$27,217,000 (equivalent to approximately HK$212,293,000); and (ii) Shanghai Pengxin Group Company Limited, a company owned as to 99% by Mr. Jiang, amounted to US$1,000,000 (equivalent to approximately HK$7,800,000). Therefore, it is expected that the amount owing by Pengxin Agricultural to Mr. Jiang will be approximately US$28,217,000 (equivalent to approximately HK$220,093,000) upon Completion. The original cost paid by Mr. Jiang in acquiring the Pengxin Agricultural Group amounted to approximately US$27,204,000 (equivalent to approximately HK$212,191,000).

The Consideration and the Adjustment

Terms set out in the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018)

Pursuant to the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018), subject to the Adjustment (as defined below), the aggregate Consideration is US$46,000,000 (equivalent to approximately HK$358,800,000), of which the consideration for the Sale Loan is equivalent to its face value and the consideration for the Sale Shares shall be the balance of the Consideration after deducting the consideration of the Sale Loan. The Consideration shall be satisfied in the following manner:

(a) as to US$25,000,000 (equivalent to approximately HK$195,000,000) (the "**Deposit**") payable by the Company to Mr. Jiang in cash as deposit and part payment of the Consideration upon signing of the Sale and Purchase Agreement; and

(b) as to US$21,000,000 (equivalent to approximately HK$163,800,000) (the "**Balance**") payable by the Company to Mr. Jiang in cash upon Completion.

As at the Latest Practicable Date, the Deposit had been paid. Mr. Jiang shall, within five business days from the expiry of the Long Stop Date or the date of the Company's notice stating it is not satisfied with the results of the due diligence review, refund the Deposit to the Company. Subject to the aforesaid refund and certain surviving provisions, neither party shall have any obligations and liabilities towards each other under the Sale and Purchase Agreement, save for any antecedent breaches of the terms thereof.

If the conditions precedent to the Acquisition below have been fulfilled on or before the Long Stop Date, but either the Company or Mr. Jiang shall fail to complete the sale and purchase of the Sale Shares and the Sale Loan, the non-defaulting party may forthwith determine the Sale and Purchase Agreement by giving notice of termination in writing to the defaulting party to such effect, in which event Mr. Jiang shall forthwith refund to the Company the Deposit. Thereafter, neither party shall have any obligations and liabilities hereunder nor take any action to claim for damages or to enforce specific performance or any other rights and remedies save for any antecedent breaches of the terms hereof. At the time of entering into the Sale and Purchase Agreement, the Company expected all conditions shall have been fulfilled on or before the initial long stop date, being 31 December 2017. However, additional time was required to liaise with auditors for audit of Pengxin Agricultural Group's financial statements, the Company accordingly entered into an extension notice to extend the initial long stop date to 31 March 2018. At or around the end of March 2018, the audit of Pengxin Agricultural Group was still ongoing. Based on the preliminary updated information from the valuers obtained by the Company in March 2018, the value of El Recreo, Tres Marias Fundo A and Tres Marias I Lots 1 to 4 had also increased as compared to the draft preliminary valuation obtained at the signing of the Sale and Purchase Agreement in 2017. As such, the Company considered no interests of the Shareholders had been prejudiced and it was appropriate to further extend the long stop date to 30 June 2018 by entering into the second extension notice on 26 March 2018. During the 12 months between the date of the Sale and Purchase Agreement and the date of this circular, the Group had been conducting further due diligence on Pengxin Agricultural Group (including liaising with auditors for audit of Pengxin Agricultural Group's financial statements and valuers for updated valuation), and the Vendor had been co-ordinating with legal professional and the relevant government department for further land registration procedures relating to Tres Marias I Lots 1 to 5 (each a "**Relevant Plot**"). Since the Deposit is refundable and considering the substantial amount of work involved prior to Completion, the Company considered payment of the Deposit is fair and reasonable and is in the interest of the Company and the Independent Shareholders.

Pursuant to the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018), Mr. Jiang represents, warrants and undertakes with the Company that the Bolivian Company shall obtain proper legal title and ownership for each Relevant Plot (including but not limited to merging the titles of Tres Marias I Lots 1 to 5 into one single registration with the relevant authority under the name of El Arrozal or such other name as may be agreed by the Company) after Completion.

In the event on or before the third anniversary of the Completion Date (or such other date as may be agreed by the Company in writing):

(a) proper legal title and ownership has been obtained by the Bolivian Company in respect of the Relevant Plot;

(b) the value of the Relevant Plot as shown in the relevant valuation report (in form and substance satisfactory to the Company, and prepared in compliance with Chapter 5 of the Listing Rules by a firm of independent professional valuers appointed by the Company) is not less than the following amount stated next to the Relevant Plot:

Relevant Plot	**Value**
Tres Marias I Lot 1	US$4,410,000
Tres Marias I Lot 2	US$1,710,000
Tres Marias I Lot 3	US$1,740,000
Tres Marias I Lot 4	US$1,680,000
Tres Marias I Lot 5	US$1,190,000

(c) the Company has obtained a Bolivian legal opinion (in form and substance satisfactory to the Company) issued by a firm of Bolivian legal advisers appointed by the Company in relation to the Relevant Plot (including but not limited to the validity of the Bolivian Company's ownership and proper legal title of the Relevant Plot); and

(d) the warranties given by Mr. Jiang in the Sale and Purchase Agreement relating to the Pengxin Agricultural Group's owned properties when applied to the Relevant Plot shall have remained true and accurate and not misleading in any material respect after the Bolivian Company has become the registered owner of the Relevant Plot with proper legal title,

the Consideration shall be adjusted upward by the following amount corresponding to the Relevant Plot (the "**Adjustment**"):

Relevant Plot	Adjustment
Tres Marias I Lot 1	US$4,410,000
Tres Marias I Lot 2	US$1,710,000
Tres Marias I Lot 3	US$1,740,000
Tres Marias I Lot 4	US$1,680,000
Tres Marias I Lot 5	US$1,190,000

In relation to additional condition (a) above, the Bolivian Company shall complete the Administrative Clearance Process (as defined below) and the merging of Tres Marias I Lots 1 to 5 into one single plot.

Funding

The Consideration and the Adjustment shall be financed by internal resources of the Group and/or other forms of financing (including but not limited to bank borrowing).

Bases

As set out in the paragraph headed "Conditions precedent" below, it is a condition precedent to Completion that the aggregate value of El Recreo and Tres Marias Fundo A as shown in the valuation report (in form and substance satisfactory to the Company, and prepared in compliance with Chapter 5 of the Listing Rules by a firm of independent professional valuers appointed by the Company) shall not be less than US$42,000,000 (equivalent to approximately HK$327,600,000) (the "**Estimated Value**").

The Consideration was determined between the Company and Mr. Jiang after arm's length negotiations with reference to the unaudited consolidated adjusted net asset value of the Pengxin Agricultural Group of approximately US$48,698,000 (equivalent to approximately HK$379,844,000), calculated as follows:

(a) the unaudited consolidated net asset value of the Pengxin Agricultural Group of approximately US$11,027,000 (equivalent to approximately HK$86,011,000) as at 31 December 2016, prepared in accordance with International Financial Reporting Standards; plus

(b) the Sale Loan of US$28,217,000 (equivalent to approximately HK$220,093,000)

minus

(c) the book value of each of Relevant Plots as follows:

Relevant Plot	Approximate book value at 31 December 2016
Tres Marias I Lot 1	US$3,145,000
Tres Marias I Lot 2	US$1,168,000
Tres Marias I Lot 3	US$1,190,000
Tres Marias I Lot 4	US$1,116,000
Tres Marias I Lot 5	US$807,000
Total	US$7,426,000 (equivalent to approximately HK$57,923,000)

plus

(d) the increase in fair value of El Recreo and Tres Marias Fundo A of approximately US$16,880,000 (equivalent to approximately HK$131,664,000), which is equivalent to the difference between (a) their aggregate book value of approximately US$25,120,000 (equivalent to approximately HK$195,936,000) as at 31 December 2016 recorded in the unaudited consolidated financial statements of the Pengxin Agricultural Group as at such date; and (b) the Estimated Value.

The amount of Adjustment was determined between the Company and Mr. Jiang after arm's length negotiations with reference to the aggregate estimated value of the Relevant Plot of US$10,730,000 (equivalent to approximately HK$83,694,000) assuming that valid title certificate(s) of the Relevant Plot has been issued and the Relevant Plot is freely transferable. The Company shall pay the amount of Adjustment within one month after satisfaction of the last of the conditions set out above in relation to the Relevant Plot.

As set out above, it is also a condition to payment of the Adjustment that the relevant value as set out in the valuation report (to be issued by a firm of independent professional valuers) regarding the Relevant Plot shall not be less than the corresponding amount set out above.

The Company will publish an announcement to update the Shareholders upon payment of the Adjustment together with details of the relevant valuation.

Valuation

Set out below is a comparison among:

(i) the Estimated Value (in respect of (a) El Recreo and (b) Tres Marias Fundo A only);

(ii) the value that must be reached for the purpose of the Adjustment (in respect of the Relevant Plot only); and

(iii) the value as at 29 March 2018 as set out in the valuation report in Appendix V to this circular:

Plot	Estimated Value	Value to be reached for the Adjustment	Value at 29 March 2018 as set out in the valuation report in Appendix V to this circular
El Recreo			US$18,700,000
Tres Marias Fundo A			US$23,400,000
Sub-total	**US$42,000,000**	**—**	**US$42,100,000**
Relevant Plot			
Tres Marias I Lot 1	—	US$4,410,000	US$6,200,000
Tres Marias I Lot 2	—	US$1,710,000	US$1,850,000
Tres Marias I Lot 3	—	US$1,740,000	US$1,850,000
Tres Marias I Lot 4	—	US$1,680,000	US$1,850,000
Tres Marias I Lot 5	—	US$1,190,000	—
Total:			**US$53,850,000**

The Board is of the view that the Consideration and the Adjustment are fair and reasonable, and are in the interest of the Group as a whole.

Conditions precedent

Completion shall be conditional upon and subject to:

(a) the passing of the necessary resolution(s) by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) at the GM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;

(b) Pengxin Agricultural having become the ultimate beneficial owner of 100% of the issued share capital of the Bolivian Company;

(c) the Company having obtained a Bolivian legal opinion (in form and substance satisfactory to the Company) issued by a firm of Bolivian legal advisers appointed by the Company in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder covering such matters, including but not limited to, (i) the Bolivian Company's due and proper establishment and valid existence under the laws of Bolivia; (ii) the Pengxin Agricultural is the ultimate beneficial owner of

100% of the issued share capital of the Bolivian Company; (iii) the validity of the legal title of the real properties owned by the Bolivian Company and (iv) any other matter as may be required by the Company;

(d) all other necessary consents, licences and approvals required to be obtained on the part of Mr. Jiang and the Pengxin Agricultural Group in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remained in full force and effect;

(e) all other necessary consents, licences and approvals required to be obtained by the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained and remained in full force and effect;

(f) the Company being solely and absolutely satisfied with the results of the due diligence review to be conducted;

(g) the aggregate value of El Recreo and Tres Marias Fundo A as shown in the valuation report (in form and substance satisfactory to the Company, and prepared in compliance with Chapter 5 of the Listing Rules by a firm of independent professional valuers appointed by the Company) being not less than US$42,000,000 (equivalent to approximately HK$327,600,000);

(h) the warranties given by Mr. Jiang in the Sale and Purchase Agreement remaining true and accurate and not misleading in any material respect at Completion as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion, and no undertakings contained thereby having been materially breached by Mr. Jiang prior to Completion; and

(i) there being no material adverse change to the Pengxin Agricultural Group (whether in respect of its operation, financial condition or prospects, or otherwise).

None of the conditions precedent above can be waived. If any of the above conditions precedent has not been satisfied on or before 30 June 2018 or such later date as the Company may agree (the "**Long Stop Date**"), or if the Company has served a notice to Mr. Jiang stating it is not satisfied with the results of the due diligence review, the Sale and Purchase Agreement shall, subject to refund of the Deposit, cease and determine.

In respect of condition (d) above, the Company expects to obtain the corporate consents of the relevant purchaser(s) within the Pengxin Agricultural Group in relation to the acquisition of the remaining 0.01% interest of the Bolivian Company prior to Completion. As at the Latest Practicable Date, none of the above conditions precedent had been satisfied.

Completion

Completion shall take place on the fifth business day after fulfilment of the conditions precedent set out in sub-paragraphs (a) to (g) in the paragraph headed "Conditions Precedent" above or such other date as the Company may agree. The conditions precedent set out in sub-paragraphs (h) and (i) shall remain fulfilled at Completion.

Upon Completion, Pengxin Agricultural will become a wholly-owned subsidiary of the Company and results of the Pengxin Agricultural Group will be consolidated into the financial statements of the Company after Completion.

INFORMATION OF PENGXIN AGRICULTURAL GROUP

Pengxin Agricultural is a company incorporated in the BVI in 2012 with limited liability and was legally and beneficially owned by Mr. Jiang as at the Latest Practicable Date. It together with its four wholly-owned subsidiaries were in aggregate interested in approximately 99.99% of the issued share capital of the Bolivian Company as at the Latest Practicable Date. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the remaining shareholding interest of the Bolivian Company are held by parties independent of the Group and its connected persons. As at the Latest Practicable Date, the 0.01% interest of the Bolivian Company had not been acquired by Pengxin Agricultural. However prior to Completion, Pengxin Agricultural together with its four wholly-owned subsidiaries shall in aggregate be interested in 100% of the issued share capital of the Bolivian Company.

The Bolivian Company is a company established in Bolivia in 2005 and is engaged in agricultural farming, being the cultivation and sale of soybean, corn and rice via operation of the Farm. The Farm is being operated on seven agricultural plots of land, namely:

(i) El Recreo;

(ii) Tres Marias Fundo A;

(iii) Tres Marias I Lot 1;

(iv) Tres Marias I Lot 2;

(v) Tres Marias I Lot 3;

(vi) Tres Marias I Lot 4;

(vii) Tres Marias I Lot 5,

all located in Obispo Santisteban Province, Santa Cruz, Bolivia. A total of approximately 70.70% of the site area of these plots of land are suitable for cultivation. Set out below is information of such seven agricultural plots of land according to environment stratification analysis:

	Plot	Agricultural land suitable for cultivation of corn and soy (hectares)	Agricultural land suitable for cultivation of rice by flooding (hectares)	Native forest (hectares)	Streams (hectares)	Total site area (hectares)
1.	El Recreo	2,145.35	523.89	2,116.12	77.87	4,863.23
2.	Tres Marias Fundo A	3,403.03	569.13	864.03	36.5	4,872.69
3.	Tres Maria I Lot 1	540.54	306.31	352.8	60.35	1,260.00
4.	Tres Maria I Lot 2	304.46	36.41	34.13	—	375.00
5.	Tres Maria I Lot 3	309.00	38.55	27.45	—	375.00
6.	Tres Maria I Lot 4	293.03	47.80	32.18	1.99	375.00
7.	Tres Maria I Lot 5	205.71	39.63	23.02	4.39	272.75
	Total	**7,201.12**	**1,561.72**	**3,449.73**	**181.10**	**12,393.67**

So far as the Directors understand, although land parcels (such as Tres Marias I Lots 1 to 4) have been duly registered with the Real Estate Office of Bolivia under the owner's name, to obtain complete and proper ownership rights for a land parcel in Bolivia, the owner must also additionally satisfy local land reform requirements, which are regulated by a separate public entity, the National Agency of Agrarian Reform ("**INRA**", which is an authority separate from the Real Estate Office). Such requirements are that the land must, (i) be productive; and (ii) fulfill a social economic function. This requires review and clarification of the land ownership, activities that take place and physical properties of the land. If these requirements are fulfilled, INRA issues a "Final Administrative Resolution" (together, the "**Administrative Clearance Process**") and then the President of Bolivia proceeds to issue the definite title.

As at the Latest Practicable Date, details of the Bolivian Company's ownership of and the legal title of such seven agricultural plots of land were as follows:

	Plot	Registration number	Name of owner
1.	El Recreo	7.10.5.01.0002072	The Bolivian Company
2.	Tres Marias Fundo A	7.10.5.01.0002073	The Bolivian Company
3.	Tres Marias I Lot 1	7.10.301.0003237	The Bolivian Company
4.	Tres Marias I Lot 2	7.10.301.0003236	The Bolivian Company
5.	Tres Marias I Lot 3	7.10.301.0003593	The Bolivian Company
6.	Tres Marias I Lot 4	7.10.301.0003594	The Bolivian Company
7.	Tres Marias I Lot 5	—	—

As advised by the Bolivian legal counsel to the Company,

(i) the ownership of El Recreo and Tres Marias Fundo A is legally vested in favour of the Bolivian Company and is in compliance with the permitted uses by applicable law and regulations. They have obtained "Final Administrative Resolution", and thus the Bolivian Company legally owns and has obtained definite legal title to El Recreo and Tres Marias Fundo A;

(ii) Tres Marias I Lots 1 to 4 have been duly registered with the Real Estate Office of Bolivia under the name of the Bolivian Company;

(iii) for Tres Marias I Lot 5, the Bolivian Company has purchased such plot by signing a deed in 2008, but such plot has not yet been registered under the name of the Bolivian Company, nor has it obtained proper legal title to it;

(iv) once legal title has been declared in favour of the Bolivian Company in respect of Tres Marias I Lots 1 to 5, they will merge into one single registration with the Real Estate Office of Bolivia under the name of El Arrozal.

So far as the Directors understand, to enhance the efficiency in managing five plots of land (by reducing administrative cost in handling one plot instead of five plots) and to enhance the feasibility in plantation including the agricultural area and plantation plan in one single plot, the Bolivian Company decided (prior to the date of the Sale and Purchase

Agreement) to merge Tres Marias I Lots 1 to 5 together into one single plot and rename it as "El Arrozal" upon completion of the Administrative Clearance Process. However, this merger was put on hold because INRA issued a resolution on 9 March 2016 (the "**Resolution**") stating Tres Marias I Lots 1 to 5 did not fulfill social economic functions. Accordingly, complete ownership rights of Tres Marias I Lots 1 to 5 has yet been obtained. However, no clear explanation was given in the Resolution as to why and how non-fulfilment arose.

In an effort to overturn the decision made under the Resolution, the Bolivian Company has commenced judicial proceedings (the "**Appeal Proceedings**") before the Agricultural Tribunal in Sucre, Bolivia. As advised by the Bolivian legal counsel, the Bolivian Company has a favourable case and expects a favourable judgment. Once favourable judgment has been obtained, the Administrative Clearance Process on Tres Marias I Lots 1 to 5 must start afresh.

When deciding on the Acquisition, the Group had taken into account the advice from Bolivian legal counsel, in particular:

(a) the definite legal title of El Recreo and Tres Marias Fundo A has been obtained;

(b) during the Appeal Proceedings, the Bolivian Company may continue its operations lawfully on Tres Marias I Lots 1 to 5 under the laws of Bolivia;

(c) subject to compliance of all necessary procedures (such as the Administrative Clearance Process) as required by the relevant government authorities in Bolivia, there is no legal impediment to obtain the proper legal title for Tres Marias I Lots 1 to 5; and

(d) it is estimated that upon commencing the new Administrative Clearance Process, it may take approximately 20 months to obtain a new resolution from INRA and obtain complete ownership rights for Tres Marias I Lots 1 to 5.

The Directors also took into account:

(a) the site area for cultivation of El Recreo and Tres Marias Fundo A represents approximately 80% of the total site area currently under operation by the Bolivian Company. El Recreo and Tres Marias Fundo A contributed to the major operation of the Bolivian Company while Tres Marias I Lots 1 to 5 are comparatively insignificant to the overall operation of the Bolivian Company; and

(b) the Adjustment is only payable if all additional conditions have been met within the three-year timeframe.

Based on the above, the Directors consider setting out a three-year time frame for the Adjustment is fair and reasonable.

The Consideration (before any Adjustment) is based on the value of El Recreo and Tres Marias Fundo A only, which have proper legal title. Tres Marias I Lots 1 to 5 are comparatively insignificant to the Bolivian Company when compared to El Recreo and Tres Marias Fundo A. Even if the Bolivian Company fails to obtain the definite title for Tres

Marias I Lots 1 to 5, it will not materially affect the operation of the Bolivian Company. The Adjustment is an add-on mechanism, which is payable only, and only if, all additional conditions have been met within the three-year timeframe. In the event that the Bolivian Company obtains the definite title for Tres Marias I Lots 1 to 5 after the three-year timeframe, no Adjustment is required to be paid by the Group. Although the Company has been advised by the Bolivian legal counsel that if in the unlikely event that the Appeal Proceedings did not produce a favourable result to the Bolivian Company, ownership rights in Tres Marias I Lots 1 to 5 might be reverted to the Bolivian government, taking into account (i) the Bolivian legal counsel's detailed advice regarding the favourable position of the Bolivian Company in the Appeal Proceedings; (ii) advice from the Bolivian legal counsel that the Bolivian Company can continue to lawfully operate on the Relevant Plots prior to outcome of the Appeal Proceedings; and (iii) no Adjustment is required to be paid by the Group, the Directors consider that the Adjustment mechanism as well as the terms of the Sale and Purchase Agreement are fair and reasonable and in the best interest of the Company and the Shareholders as a whole. As set out above, (i) the site area for cultivation of El Recreo and Tres Marias Fundo A represents approximately 80% of the total site area currently under operation by the Bolivian Company and contributed to the major operation of the Bolivian Company and (ii) the site area of the Relevant Plots represents approximately 20% of the total site area which is insignificant to the overall operation of the Bolivian Company. Accordingly, in the unlikely event that proper legal title of the Relevant Plots could not be obtained, the Directors were of the view that this would not have material adverse effect on the operation of the Bolivian Company. Based on the above, the Company decided to proceed with the Acquisition.

The Farm is currently one of the major farms engaged in the plantation of soybean in the region. As at the Latest Practicable Date, the Bolivian Company had approximately 58 staff. The business model of the Bolivian Company is focused on (i) a low-cost production producing one key agricultural product; (ii) transforming land to improve productivity; and (iii) promoting sustainable agricultural production and development. The Bolivian Company owns the facilities on the Farm and has the resources to store and condition all crops it harvests. It does not rely on third parties to condition the crops for sale. For each of the three years ended 31 December 2017, approximately 85%, 92% and 90% of revenue was contributed by the sale of soybean. All of the crops have been sold to local market through sale agencies. The major costs consist of seeds, pesticides, fertilizers, reaping cost, as well as repair and maintenance of machinery. Most of the raw materials are provided by local suppliers. As set out in the accountants' report on Pengxin Agricultural Group in Appendix II to this circular, for the year ended 31 December 2017, the audited gross profit margin of the Bolivian Company reached approximately 33.4% and the audited net profit margin before extraordinary items was approximately 19.3%.

Set out below is a summary of the audited consolidated financial information of Pengxin Agricultural Group for each of the three years ended 31 December 2017 as extracted from Appendix II to this circular, which was prepared in accordance with the International Financial Reporting Standards:

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017
	US$'000	*US$'000*	*US$'000*
Revenue	4,886	10,230	8,484
Profit (loss) before and after taxation	(403)	1,123	1,639

The audited total assets and net assets value of Pengxin Agricultural Group as at 31 December 2017 were approximately US$44,728,000 (equivalent to approximately HK$348,878,000) and approximately US$12,595,000 (equivalent to approximately HK$98,241,000) respectively.

In December 2015, Sociedad Agropecuaria Argotanto S.A. ("**Argotanto**", a company established in Bolivia, which was owned by third parties independent of the Group and its connected persons) obtained an unsecured loan from Pengxin Agricultural Group for a term of one year. The equity interest of Argotanto was later acquired by the Group to start its livestock raising business in December 2016. Such loan remained outstanding upon completion of such acquisition. As at the Latest Practicable Date, the amount owed by the Group to Pengxin Agricultural Group amounted to approximately US$2,853,000 (equivalent to approximately HK$22,253,000).

REASONS FOR THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in property investment operation, hotel operation, financing and securities investment operation and natural resources operation.

The Group is always looking for suitable investment opportunities to diversify the existing businesses into new lines of businesses with growth potential. The Group made its first foray into the promising market of Bolivia to tap into the livestock raising business in December 2016. The Group currently owns approximately 5,100 hectares of farmland located in Municipio El Carmen Rivero Torres, German Busch Province, Santa Cruz, Bolivia and has the capacity to raise 6,000 cattle. For the six months ended 30 September 2017, agricultural segment contributed to revenue of approximately HK$471,000 to the Group. Both cattle raising business and operation of the Farm by the Bolivian Company fulfilled the definition of agricultural activities defined by the Hong Kong Accounting Standard 41 issued by the Hong Kong Institute of Certified Public Accountants, which involves the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets. Accordingly, the Company considers that they are in the same kind of business segment. Taking into account the Farm and the cattle raising business are in the same kind of business segment, and they are located in the same municipal (Santa Cruz, Bolivia), the Company is of the view that it is a good opportunity to expand its agricultural investment in Bolivia. At present, the cattle raising business is at the beginning stage. Pengxin Agricultural Group has been in operation for over ten years and has well established a sales network in the agricultural market in Bolivia. The Company believes a strong sales network is necessary for expansion of the business to maximise its revenue and the cattle raising business might benefit from the sales network of Pengxin Agricultural Group. Besides, combining the management team of both Bolivian Company and the cattle raising business can reduce the operation costs by (i) saving staff cost through optimising internal positions; and (ii) saving administrative cost through merging the office of both business.

As the world population continues to grow, urbanisation rates in most countries also accelerate as a result, which increase the demand for both natural resources and food products at the same time. The Company is optimistic about the prospects in the agricultural industry and intends to further develop its agricultural business through merger and acquisition later on. In view of the excellent geological conditions, Bolivia is rich in natural resources such as nature gas and minerals. Agriculture is also one of the major business sectors in Bolivia. The Farm is located 215 km to the north of the city of Santa Cruz, town of Colonia Piraí, municipality of San Pedro and its farmland is predominantly for agricultural use. Upon obtaining ownership and proper legal title, the Bolivian Company shall be entitled to the property right of approximately 12,400 hectares of farmland with an estimated appraisal value amounting to approximately US$52,730,000 (equivalent to approximately HK$411,294,000). Currently, the main cropper of the Farm is soybean. The maximum capacity per annum of the Farm can reach 40,000 tonnes as its location is subject to excellent weather conditions which allows double or even triple harvests. The Group currently operates cattle raising business in a farmland located in Municipio El Carmen Rivero Torres, German Busch Province, Santa Cruz, Bolivia. The Company is of the view that an investment in the Bolivian Company will not only facilitate the Group's expansion into the agricultural industry, but also diversify the Group's current operations and minimise the investment risks in relation to its existing businesses. In addition, the Bolivian Company has in operation for over ten years, and from which it has been able to derive stable cash flow. Given the Bolivian Company has been well operated under a team of experienced staff with sufficient facilities and equipment, it is expected that subsequent to Completion, the Bolivian Company will provide steady income and cash flow to the Group immediately.

Pengxin Agricultural Group has been in operation for over ten years while under the leadership of Mr. Jiang for over five years. It is operated under a team of experienced staff with sufficient facilities and equipment. The Group plans to retain all the existing management and staff of Pengxin Agricultural Group upon Completion. Pengxin Agricultural Group has four key personnel (including Mr. Jiang) to operate the agricultural business. Other than Mr. Jiang, the other three key personnel participate in the daily operation of the Pengxin Agricultural Group and their biographies are set out below:

(a) Mr. Wenzhi Zeng ("**Mr. Zeng**"). He is the general manager and director of the Bolivian Company. He joined the Pengxin Agricultural Group in 2011. He holds a bachelor's degree in engineering and master degree in engineering. Before joining the Pengxin Agricultural Group, Mr. Zeng had over 20 years of working experience in the field of engineering in the PRC and trading of agricultural products in Chile and Panama;

(b) Mr. Carlos E. Kempff ("**Mr. Kempff**"). He is a director of the Bolivian Company. He joined the Pengxin Agricultural Group in 2013. He holds a bachelor's degree in engineering science from Pontifical Catholic University of Chile and master degree in management from Massachusetts Institute of Technology (MIT) Sloan School of Management. Before joining the Pengxin Agricultural Group, Mr. Kempff held senior positions in a number of renowned corporation in Bolivia and had worked as minister of economic development in charge of public policies in the areas of energy, transportation, telecommunication, mining and industry and trade in Bolivia. He has extensive management experience in various industry, including agricultural, energy, food distribution and real estate; and

(c) Mr. Aramayo Rodrigo is deputy general manager of the Bolivian Company. He joins Pengxin Agricultural Group in 2006. He holds a bachelor's degree in computer systems engineering from Universidad Privada de Santa Cruz de la Sierra and master of business administration from Universidad NUR. He has been working in Pengxin Agricultural Group for 12 years and is primarily responsible for the overall operational management of the Bolivian Company.

Other than Mr. Jiang, the Company's executive director and chief executive officer, Mr. Lam Cheung Shing Richard ("**Mr. Lam**", who also is a qualified accountant (being a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants)) has over 30 years experience in accounting and financial management. Mr. Lam has also participated in various kind of business operations including property investment, hotel, water treatment, financial and securities investment, trading of construction materials and natural resources. Given Mr. Jiang's experience in investment and operations, Mr. Lam's extensive management experience together with the existing management and staff of Pengxin Agricultural Group, the Company considers it will have sufficient relevant expertise in operating and managing the Pengxin Agricultural Group upon Completion. Thus, the Directors decided to proceed with the Acquisition.

Accordingly, the Directors consider that the terms of the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT

Upon Completion, Pengxin Agricultural will become a wholly owned subsidiary of the Group and thus the assets, liabilities and financial results of the Pengxin Agricultural and its subsidiaries will be consolidated into those of the Group.

Assets and liabilities

As illustrated in the unaudited pro forma financial information as set out in Appendix IV to this circular, had the Completion taken place on 31 December 2017, the total assets of the Enlarged Group would have increased from HK$4,640,385,000 to approximately HK$5,013,820,000 on a pro forma basis, and the total liabilities of the Enlarged Group would have increased from HK$1,412,248,000 to approximately HK$1,788,683,000 on a pro forma basis.

Earnings

As set out in the accountants' report on Pengxin Agricultural Group in Appendix II to this circular, the audited consolidated revenue and the audited consolidated net profit attributable to owner of Pengxin Agricultural were approximately US$8,484,000 and US$1,639,000 for the period ended 31 December 2017, respectively.

The attention of the Shareholders is drawn to the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular.

RISKS FACTORS

Set out below are the principal risk factors which may be associated with the Acquisition:

Risks associated with the market condition in the South America

The Farm is located at Santa Cruz, Bolivia, part of South America. Pengxin Agricultural Group's operations in Bolivia may be exposed to the risks of policy change, volatility of boliviano (being the legal tender of Bolivia) exchange rate change, interest rate change and the overall economic conditions, which may pose an adverse impact on the Pengxin Agricultural Group's business, financial condition or results of operations. The Company will monitor the market conditions and may adjust the development strategy of Pengxin Agricultural Group accordingly.

Regulatory and environmental risks

Pengxin Agricultural Group is subject to laws and regulations in the jurisdiction in which it operates. These regulations affect the aspects of Pengxin Agricultural Group's operation including the pricing, operating costs, specific taxes and fees and environmental protection and safety standards. Pengxin Agricultural Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management of Pengxin Agricultural Group performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risks

Pengxin Agricultural Group is exposed to risks arising from fluctuations in the price and sale volume of crops. As with most agricultural products, the price is volatile and may be affected by various factors. In the event of increase in demand and/or price, Pengxin Agricultural Group may be unable to provide sufficient supplies on favourable terms. It could have adverse effect on the business, financial condition and results of operation. Where possible Pengxin Agricultural Group manages these risks by aligning its harvest volume to market supply and demand and cooperate with major market player to ensure proper channel for sale distribution. Besides, management of Pengxin Agricultural Group performs regular industry trend analyses to ensure that the Pengxin Agricultural Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate risks

Pengxin Agricultural Group's plantations are exposed to the risk of damage from climatic changes, diseases and other natural forces. The unexpected weather conditions could negatively affect the results of operation of Pengxin Agricultural Group by reducing the production and sales and may have an adverse effect on the growth prospects. Upon Completion, the Company will adopt appropriate risk management strategies, if necessary including but not limit to introduce agricultural insurance, use improved seed varieties, keep buffer stocks etc., to minimise the impact caused by the unexpected weather conditions.

Risk associated with Tres Marias I Lots 1 to 5

As mentioned in the section headed "Information on Pengxin Agricultural Group", Tres Marias I Lot 5 has not yet been registered under the name of the Bolivian Company, and the Tres Marias I Lots 1 to 5 have not obtained proper legal title. According to the Bolivian legal counsel, Tres Marias I Lots 1 to 5 are not in compliance with the permitted uses by applicable laws. Judicial proceedings before the Agricultural Tribunal are underway in order to obtain proper legal title. Accordingly, Pengxin Agricultural Group is subject to a potential risk that Tres Marias I Lots 1 to 5 may be reverted to the Bolivian government. Upon Completion, the Company will closely monitor the status of the judicial proceedings with the relevant government authorities and seek legal advice as and when necessary.

Although there are risk factors associated with the Acquisition, the Board still considers that the Acquisition is in the interests of the Company and the Shareholders as a whole having balanced the benefits of the Acquisition and the positive industrial outlook of Pengxin Agricultural Group as set out under the section headed "Reasons for the Acquisition".

LISTING RULES IMPLICATION

As the applicable percentage ratios in respect of the Acquisition are above 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Mr. Jiang, an executive Director and the chairman of the Company, was interested in 1,742,300,000 Shares, representing approximately 28.66% of the issued share capital of the Company. Accordingly, Mr. Jiang is a connected person of the Company and the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, subject to the reporting, announcement and the Independent Shareholders' approval requirements. Mr. Jiang and his associates shall abstain from voting on the resolution to be proposed in relation to the Acquisition at the GM. As Mr. Jiang has a material interest in the Acquisition, Mr. Jiang has abstained from voting at the Board meeting approving the Sale and Purchase Agreement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no other Director has a material interest in the Acquisition and therefor no other Director is required to abstain from voting at the Board meetings in relation to the Acquisition.

GM

A notice convening the GM to be held at Suites 601–603, 6/F., Everbright Centre, 108 Gloucester Road, Wanchai at 10:30 a.m. on Thursday, 26 July 2018 is set out on pages GM-1 to GM-2 of this circular.

A form of proxy for use by the Shareholders at the GM is enclosed with this circular. Whether or not you intend to attend and vote at the GM in person, you are requested to complete the form of proxy and return it to the office of the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the GM or any adjourned meeting. Completion and return of the form of proxy will not prevent you from attending and voting at the GM or any adjourned meeting should you so wish.

For the purpose of ascertaining and determining the entitlement of the Shareholders to attend and vote at the GM, the register of members of the Company will be closed from 23 July 2018 to 26 July 2018, both days inclusive, during which period no transfer of Shares in the Company will be effected. In order to qualify for the right to attend and vote at the GM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 20 July 2018 for registration of transfer.

An announcement will be made by the Company after the GM regarding the results of the GM pursuant to the requirements of the Listing Rules.

RECOMMENDATION

Veda Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Acquisition. The Independent Board Committee, comprising all the independent non-executive Directors, has been established by the Company to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018) are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 23 to 24 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 25 to 52 of this circular in connection with the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018).

The Directors (including the Independent non-executive Directors whose view is expressed in the letter from the Independent Board Committee set out on pages 23 to 24 of this circular) consider the terms of the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the GM to approve the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018) and the transactions contemplated thereunder.

FURTHER INFORMATION

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

Yours faithfully,
for and on behalf of the board of Directors
Lam Cheung Shing, Richard
Executive Director

EVERCHINA INT'L HOLDINGS COMPANY LIMITED
潤 中 國 際 控 股 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

28 June 2018

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to the circular dated 28 June 2018 (the "**Circular**") of EverChina Int'l Holdings Company Limited (the "**Company**") of which this letter forms part. Terms used in this letter shall have the meaning as defined in the Circular unless the context requires otherwise.

We, being the independent non-executive Directors, have been appointed to form the Independent Board Committee to advise you as to whether the terms of the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018) are fair and reasonable so far as the Independent Shareholders are concerned and whether the entering into of the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018) is in the interests of the Company and the Shareholders as a whole.

Veda Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018).

We wish to draw your attention to the letter from the Board as set out on pages 4 to 22 of the Circular and the letter from Veda Capital Limited as set out on pages 25 to 52 of the Circular which contain, among other things, their advice, recommendations to us regarding the terms of the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018) and the principal factors and reasons taken into consideration for their advice and recommendations.

RECOMMENDATION

Having taken into account the advice and recommendations of Veda Capital Limited and the principal factors and reasons taken into consideration by them in arriving at their opinion, we consider that the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Company. We consider that the terms of the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018) are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018) is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the GM to approve the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018) and the transactions contemplated thereunder.

Yours faithfully,

Mr. Ho Yiu Yue, Louis **Mr. Ko Ming Tung, Edward** **Professor Shan Zhemin**

Independent Board Committee

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智略資本

Room 1106, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

28 June 2018

To: Independent Board Committee and the Independent Shareholders

Dear Sir/Madams,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (the "**Transaction**"), details of which are set out in the circular to the Shareholders dated 28 June 2018 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise specifies.

On 13 June 2017 (after trading hours of the Stock Exchange), the Company entered into the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018) with Mr. Jiang in relation to the Acquisition. Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire and Mr. Jiang has conditionally agreed to dispose of the Sale Shares and the Sale Loan at the aggregate Consideration of US$46,000,000 (equivalent to approximately HK$358,800,000), subject to the Adjustment.

As set out in the letter from the Board of the Circular (the "**Board Letter**"), the applicable percentage ratios in respect of the acquisition are above 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. In addition, as at the Latest Practicable Date, Mr. Jiang, an executive Director and the chairman of the Company, was interested in 1,742,300,000 Shares, representing approximately 28.66% of the issued share capital of the Company. Accordingly, Mr. Jiang is a connected person of the Company and the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, subject to the reporting, announcement and the Independent Shareholders' approval requirements. The Independent Board Committee has been established to give recommendation to the Independent Shareholders on the Sale and Purchase Agreement and transactions contemplated thereunder, and we have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard. Our appointment has been approved by the Independent Board Committee. The GM will also be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of four executive Directors, namely Mr. Jiang Zhaobai, Mr. Shen Angang, Mr. Lam Cheung Shing, Richard and Mr. Chen Yi, Ethan and three independent non-executive Directors, namely Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Professor Shan Zhemin.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Professor Shan Zhemin, has been established to give recommendation to the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, or other services provided to, the Company or any other parties that could reasonably be regarded as relevant to our independence in the past two years. Given our independent role and normal professional fees received from the Company under this engagement, we consider it would not affect our independence to form our opinion in this letter.

Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser in relation to the Transaction, no arrangements existed whereby we had received or would receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our advice and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Company and the Directors, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the GM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Directors, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not, carried out any independent verification of the information provided by the Directors, nor have conducted any independent investigation into the business, financial conditions and affairs of the Company or its future prospects. The Directors have collectively and individually accepted full responsibility, including particulars given in compliance with the Listing Rules, for the accuracy of the information contained in the Circular and have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other matters of facts the omission of which would make any statement herein or the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the Transaction, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, we have taken into consideration the following principal factors and reasons:

Background information

Information of the Group

As set out in the Board Letter, the Company is an investment holding company. The Group is principally engaged in property investment operation, hotel operation, financing and securities investment operation and natural resources operation.

In addition, according to the interim report of the Company for the six months ended 30 September 2017 (the "**IR 2017**"), the Group also engages in the businesses of cattle raising and sales of cattle in Bolivia.

Historical financial performance of the Group

We have set out the key financial information of the Group for the two financial years ended 31 March 2016 and 2017 and the six months period ended 30 September 2017, respectively, as extracted from the annual report of the Company for the year ended 31 March 2017 (the "**AR 2017**") and the IR 2017.

Consolidated statement of profit or loss

	For the six months ended 30 September 2017 *HK$'000*	For the year ended 31 March 2017 *HK$'000*	2016 *HK$'000*
Revenue	63,283	67,951	86,811
Profit/(loss) attributable to owners of the Company	(568,439)	82,403	(685,672)

Consolidated statement of financial position

	For the six months ended 30 September 2017 *HK$'000*	For the year ended 31 March 2017 *HK$'000*	2016 *HK$'000*
Total assets	4,640,385	4,873,812	4,477,067
Total liabilities	1,412,248	1,230,414	726,607
Net assets	3,228,137	3,643,398	3,750,460

As illustrated above, the Group's revenue decreased from approximately HK$86,811,000 for the year ended 31 March 2016 to approximately HK$67,951,000 for the year ended 31 March 2017, representing a decrease of approximately 21.7%. We noted that such decrease in revenue was mainly attributable to decrease in revenue contributed from the hotel operation as well as from financing and securities investment operations. As disclosed in the AR 2017, the turnaround in the profit attributable to owners of the Company of approximately HK$82,403,000 for the year 2017 as compared to a loss attributable to owners of the Company of approximately HK$685,672,000 for the year 2016 was mainly due to the net results of (i) a gain of HK$223,176,000, arising on changes in the fair value of financial assets held for trading as the result of the improvement in the market sentiment (2016: loss of HK$896,143,000); (ii) a loss of HK$33,703,000 arising on change in fair value of the Group's investment properties (2016: gain of HK$14,300,000); (iii) in absence of the one-off gain on loss of significant influence of an associate for 2017 (2016: HK$882,107,000) and impairment loss recognised in respect of mining rights for 2017 (2016: HK$598,136,000); and (iv) other operating expenses of HK$695,000 was recorded for 2017 (2016: HK$48,484,000).

The Group's total assets and total liabilities as at 30 September 2017 amounted to approximately HK$4,640.4 million and HK$1,412.2 million, respectively. This represented a decrease for the six months ended 30 September 2017 in total assets of approximately HK$233.4 million, primarily attributable to the decrease of (i) financial assets at fair value; and (ii) cash and cash equivalents through profit or loss. The increase in total liabilities of approximately HK$181.8 million was predominately by the increase of the trade and other payables and deposits received, tax payable and other borrowings.

Information of the Pengxin Agricultural Group

Pengxin Agricultural (the "**Target Company**") is a company incorporated in the BVI in 2012 with limited liability and was legally and beneficially owned by Mr. Jiang as at the Latest Practicable Date. It together with its four wholly-owned subsidiaries were in aggregate interested in approximately 99.99% of the issued share capital of the Bolivian Company as at the Latest Practicable Date. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the remaining shareholding interest of the Bolivian Company are held by parties independent of the Group and its connected persons. As at the Latest Practicable Date, the 0.01% interest of the Bolivian Company had not been acquired by Pengxin Agricultural. However, prior to Completion, Pengxin Agricultural together with its four wholly-owned subsidiaries shall in aggregate be interested in 100% of the issued share capital of the Bolivian Company.

The Bolivian Company is a company established in Bolivia on 2005 and engaged in agricultural farming, being the cultivation and sale of soybean, corn and rice via operation of the farm. The farm is being operated on seven agricultural plots of land, namely (i) El Recreo; (ii) Tres Marias Fundo A; (iii) Tres Marias I Lot 1; (iv) Tres Marias I Lot 2; (v) Tres Marias I Lot 3; (vi) Tres Marias I Lot 4; and (vii) Tres Marias I Lot 5, all located in Obispo Santisteban Province, Santa Cruz, Bolivia. A total of approximately 70.70% of the site area of these plots of land are suitable for cultivation (the "**Farm**").

The Farm is currently one of the major farms engaged in the plantation of soybean in the region. As at the Latest Practicable Date, the Bolivian Company had approximately 58 staff. The business model of the Bolivian Company is focused on (i) a low-cost production producing one key agricultural product; (ii) transforming land to improve productivity; and (iii) promoting sustainable agricultural production and development. The Bolivian Company owns the facilities on the Farm and has the resources to store and condition all crops it harvests. It does not rely on third parties to condition the crops for sale. For each of the three years ended 31 December 2017, approximately 85%, 92% and 90% of revenue was contributed by the sale of soybean. All of the crops have been sold to local market through sales agencies. The major costs consist of seeds, pesticides, fertilisers, reaping cost, as well as repair and maintenance of machineries. Most of the raw materials are provided by local suppliers. Further details of the Farm are set out in the section headed "Information of Pengxin Agricultural Group" in the Board Letter.

Set out below is a summary of the audited consolidated financial information of Pengxin Agricultural Group for each of the three years ended 31 December 2017 as extracted from Appendix II to the Circular, which was prepared in accordance with the International Financial Reporting Standards:

	For the year ended 31 December 2015	**For the year ended 31 December 2016**	**For the year ended 31 December 2017**
	US$'000	*US$'000*	*US$'000*
Revenue	4,886	10,230	8,484
Profit (loss) before and after taxation	(403)	1,123	1,639

The audited total assets and net assets value of Pengxin Agricultural Group as at 31 December 2017 were approximately US$44,728,000 (equivalent to approximately HK$348,878,000) and approximately US$12,595,000 (equivalent to approximately HK$98,241,000) respectively.

In December 2015, Sociedad Agropecuaria Argotanto S.A. ("**Argotanto**", a company established in Bolivia, which was owned by third parties independent of the Group and its connected persons), obtained an unsecured loan from Pengxin Agricultural Group for a term of one year. The equity interest of Argotanto was later acquired by the Group to start its livestock raising business in December 2016. Such loan remained outstanding upon completion of such acquisition. As at the Latest Practicable Date, the amount owed by the Group to Pengxin Agricultural Group amounted to approximately US$2,853,000 (equivalent to approximately HK$22,253,000).

Reasons for the Acquisition

The Group is always looking for suitable investment opportunities to diversify the existing businesses into new lines of businesses with growth potential. The Group made its first foray into the promising market of Bolivia to tap into the livestock raising business in December 2016. The Group currently owns approximately 5,100 hectares of farmland located in Municipio El Carmen Rivero Torres, German Busch Province, Santa Cruz, Bolivia and has the capacity to raise 6,000 cattle. For the six months ended 30 September 2017, agricultural segment contributed to revenue of approximately HK$471,000 to the Group. Both cattle raising business and operation of the Farm by the Bolivian Company fulfilled the definition of agricultural activities defined by the Hong Kong Accounting Standard 41 issued by the Hong Kong Institute of Certified Public Accountants, which involves the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets. Accordingly, the Company considers that they are in the same kind of business segment. Taking into account that the Farm and the cattle raising business are in the same kind of business segment, and they are located in the same municipal (Santa Cruz, Bolivia), the Company is of the view that it is a good opportunity to expand its agricultural investment in Bolivia. At present, the cattle raising business is at the beginning stage. Pengxin Agricultural Group has been in operation for over ten years and has well established a sales network in the agricultural market in Bolivia. The Company believes a strong sales network is necessary for expansion of the business to maximise its revenue and the cattle raising business might benefit from the sales network of Pengxin Agricultural Group. Besides, combining the management team of both Bolivian Company and the cattle raising business can reduce the operation costs by (i) saving staff cost through optimising internal positions; and (ii) saving administrative cost through merging the office of both business.

As the world population continues to grow, urbanisation rates in most countries also accelerate as a result, which increase the demand for both natural resources and food products at the same time. The Company is optimistic about the prospects in the agricultural industry and intends to further develop its agricultural business through merger and acquisition later on. In view of the excellent geological conditions, Bolivia is rich in natural resources such as nature gas and minerals. Agriculture is also one of the major business sectors in Bolivia. The Farm is located 215 km to the north of the city of Santa Cruz, town of Colonia Piraí, municipality of San Pedro and its farmland is predominantly for agricultural use. Upon obtaining ownership and proper legal title, the Bolivian Company shall be entitled to the property right of approximately 12,400 hectares of farmland with an estimated appraisal value amounting to approximately US$52,730,000 (equivalent to approximately HK$411,294,000). Currently, the main cropper of the Farm is soybean. The maximum capacity per annum of the Farm can reach 40,000 tons as its location is subject to excellent weather conditions which allows double or even triple harvests. The Group currently operates cattle raising business in a farmland located in Municipio El Carmen Rivero Torres, German Busch Province, Santa Cruz, Bolivia. The Company is of the view that an investment in the Bolivian Company will not only facilitate the Group's expansion into the agricultural industry, but also diversify the Group's current operations and minimise the investment risks in relation to its existing businesses. In addition, the Bolivian Company has in operation for over ten years, and from which it has been able to derive stable cash flow. Given the Bolivian Company has been well operated under a team of experienced staff with sufficient facilities and equipment, it is expected that subsequent to Completion, the Bolivian Company will provide steady income and cash flow to the Group immediately.

Pengxin Agricultural Group has been in operation for over ten years while under the leadership of Mr. Jiang for over five years. It is operated under a team of experienced staff with sufficient facilities and equipment. The Group plans to retain all the existing management and staff of Pengxin Agricultural Group upon Completion. Pengxin Agricultural Group has four key personnel (including Mr. Jiang) to operate the agricultural business. Other than Mr. Jiang, the other three key personnel participate in the daily operation of the Pengxin Agricultural Group and their biographies have been set out in the Board Letter.

Other than Mr. Jiang, the Company's executive director and chief executive officer, Mr. Lam Cheung Shing Richard ("**Mr. Lam**", who also is a qualified accountant (being a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants)) has over 30 years' experience in accounting and financial management. Mr. Lam has also participated in various kind of business operations including property investment operation, hotel operation, water treatment operation, financial and securities investment operation, trading of construction materials and natural resources operation. Given Mr. Jiang's experience in investment and operations, Mr. Lam's extensive management experience together with the existing management and staff of Pengxin Agricultural Group, the Company considers it will have sufficient relevant expertise in operating and managing the Pengxin Agricultural Group upon Completion. Thus, the Directors decided to proceed with the Acquisition.

Accordingly, the Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Having considered that (i) Mr. Jiang will be retained to assist the Company which has the best understanding of the Target Group; (ii) Mr. Lam has extensive experience in various kind of business operation: and (iii) Mr. Jiang possesses with the relevant experience and expertise in operating and managing the Pengxin Agricultural Group, we are of the view that the Acquisition is fair and reasonable.

Historical production of the Farm

As advised by the Company, the historical production and a brief description of the weather conditions of the Farm for the years ended 31 December 2014, 2015, 2016 and 2017 are set out as follows:

	2013	**2014**	**2015**	**2016**	**2017**
Harvest (tons)					
Soy bean	24,000	23,200	27,500	19,900	25,600
Other crops	7,800	2,800	2,500	1,800	3,000
Total	31,800	26,000	30,000	21,700	28,600
Revenue (US$)	9,628,000	8,976,000	8,646,000	6,470,000	8,484,000
Percentage as compare to the maximum capacity (40,000 tons)	79.50%	65.00%	75.00%	54.25%	71.50%
Harvest-revenue ratio	0.33%	0.29%	0.35%	0.34%	0.34%
Revenue per harvest (tons)	US$302.8	US$345.2	US$288.2	US$298.2	US$296.6

As advised by the Company, the Directors are aware that in general, harvest in agricultural business might be affected by weather conditions, which in turn might affect the revenue. The Directors have taken into account of the harvest-to-revenue ratio for the 5 years ended in 31 December 2017, and noticed the annual fluctuation was within 10% to or over such average ratio, which is in line with businesses of similar type. The harvest-to-revenue ratio indicated the stability of revenue relative to harvest. It was noted that due to the unexpected weather condition in 2016, Pengxin Agricultural Group recorded lowest productivity and lowest revenue in 2016 as compared to the year 2013, 2014, 2015 and 2017. However, the harvest-to-revenue ratio remained stable at 0.34% which was same as 2017 and slightly 0.01% lower than 2015. In contrary, Pengxin Agricultural Group recorded the 2nd highest revenue in 2014 but resulted in lowest harvest-to-revenue ratio of 0.29% as compared to 2013, 2015, 2016 and 2017. It was noted that revenue will be affected by harvest and also the selling price. Pengxin Agricultural Group recorded highest revenue per harvest in 2014 as compared to 2013, 2015, 2016 and 2017. Due to the fact that soybean is widely used as an ingredient of food and can produce different products in South America, the demand of soybean was stable in the market and will not be affected by the weather conditions.

As demonstrated above, except for the year 2016, the Farm is able to maintain its production at approximately 60% of its maximum production capacity for the past four years ended 31 December 2017. We are given to understand that during the year ended 31 December 2016, the total production volume dropped significantly as compare to the other four years. As suggested by the Company, the decrease of the total production during the year was caused by a catastrophic drought, while the other four years were affected by heavy rainfall. Despite the difficulties, the Farm is able to maintain at least approximately 50% of its maximum capacity.

Having considered that the harvest-to-revenue ratio has been stable for the past three years from 2015 to 2017, and the Farm is able to maintain its production despite the difficulties of the unexpected weather, we are of the view that the Acquisition is fair and reasonable.

Bolivian agricultural market prospective and potential synergy effect

The Farm is currently in cultivation of soybean, corn and rice with soybean as the major plantation of the Farm. We are given to understand that as compare to the neighboring agricultural companies within the proximity of the Farm, there are two companies have farms in Santa Cruz specialised in soybean which are within the proximity of the Farm, with approximately 3,500 hectare and approximately 10,000 hectare, while the Farm has approximately 12,121 hectare. Hence, we understand that the Farm is currently one of the major farms engaged in the plantation of soybean in the region. As advised by the Company, the target market of the Target Company is mainly the domestic market. The corps produced by the Farm will be sold to the local distributors as raw material and the corps will be turned into different products.

According to an article from The World Bank issued in June 2017 with the title of "Intermediate Cities in Bolivia: A priority agenda", Bolivia is a rapidly urbanising country and the country has been rapidly approaching the urbanisation levels of other Latin Southern American countries. The country's urban population grew at an annual rate of 2.09% in 2016, almost twice faster than the neighbour countries, such as Argentina 1.14%, Brazil 1.10% and Chile 1.01% referring to The World Bank Database. Moreover, the population of Bolivia has raised from 9.68 million people in 2007 to 11.38 million people in 2017 according to Food and Agriculture Organization (the "**FAO**") of the United Nations. The size and structure of the food economy will be affected by population growth and rapid urbanisation, the changes of urban lifestyle might also shift the dietary patterns and consumption. As such the future domestic food product demand is expected to increase due to the growth of population and urbanisation.

Urbanisation will possibly bring positive impact to the agriculture business in general. We have further noticed from another article published by The World Bank, titled "How to Harness the Benefits of Urbanisation for More Economic Growth Overall" issued on 1 June 2017, urbanisation could boost economic growth by increasing the demand for more agricultural products among urban businesses and individual consumers. Moreover, improvements in urban planning and infrastructure will strengthen the capacity to mitigate climate changes, particularly by reducing vulnerability to natural disasters, in order to minimise the effect to crop growth and harvest.

The World Bank Group (the "**WBG**") has run a partnership (the "**Partnership"**) with Bolivia, guided by the 2016-2020 Country Partnership Framework. The two main pillars of the program are (i) to promote broad and inclusive growth and (ii) support fiscal and environmental sustainability and resilience to climate change and economic shocks. The Partnership has contributed approximately 56% of its financing to transport, while approximately 25% are for rural and agricultural development, and lesser extents on governance, energy, environment and employment. Due to the unique geographic location of Bolivia, a landlocked country, the cost of transportation is expensive and it is also one of the main concerns of Bolivian exports as according to USDA. The Partnership is to seek stimulation of economic activities by reducing the transportation costs in order to increase the accessibility of the markets, improve opportunities for income generation and sustainable increase in productivity. Approximately 4.5 million people will be benefited from the road infrastructure improvements in the area of Santa Cruz, La Paz and Beni. As the Farm is located in Obispo Santisteban Province, Santa Cruz, where soybeans are mainly produced and also the country's economic and agricultural powerhouse, it is expected that the Target Company will be benefited from the Partnership in the long run.

In addition, soybean is a high value and profitable crop as its by-products, meal and oil, are consumed worldwide as food and animal feedstuff respectively, as according to a report issued by World Wildlife Fund in May 2016 titled "Soy Scorecard". As such, soybeans are one of the leading export products in Bolivia, as according to United States Department of Agriculture (the "**USDA**") report on "Bolivian Soybean Update". Soybean has accounted for about 3% of Bolivia's GDP and 10% of the total exports, which is the largest agricultural export and a driver of the country's economy. The major

Bolivian soybean products are soybean meal, crude oil and crushed beans. Further noted from the report titled ''World Agricultural Production'' issued in March 2018 by the USDA, the projected production of soybean in Bolivia is expected to raise from 2.11 million metric tons in the year of 2016/2017 to 2.60 million metric tons in the year of 2017/2018, which represents an approximately 23.4% increase. Conversely, the production from the neighboring countries (i.e. Brazil, Paraguay and Argentina), are expecting a decrease in a range of 0.96% to 18.69% in production. The FAO also suggests that the projected demand for soy could almost double by 2050. The increase in demand is due to the global population growth and diet changes.

It is the Company's intention to expand into the agricultural industry in Bolivia. As noted in the Board Letter, the Group currently operates cattle raising business in a farmland located in Municipio El Carmen Rivero Torres, German Busch Province, Santa Cruz, Bolivia. As advised by the Company, the cattle raising business has the capacity to raise 6,000 cattle and currently has approximately 800 cattle which equivalent to approximately HK$2 million. While approximately 400 heifers will be kept as for breeding purpose, another 400 calves will be sold to the market for consumption purpose. We are given to the understand that the Farm could provide feedstuff for the cattle raising business, to ensure the supply of the feedstuff stable and reduce the operation cost of the Company in the long run, due to the intention of the Company to further enhance the size of the cattle raising business to reach its maximum capacity. The Company could realise the potential synergy effect through the Acquisition and diversify its investment risk.

Having considered (i) the potential increase in demand of food resources due to the up raising population and urbanisation rates in Bolivia; (ii) great prospect of agriculture business in Bolivia; and (iii) the potential synergy effect with the cattle raising business, we concur with the Board's view in relation to the prospect of Bolivia's agriculture market and consider that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole.

Principal terms of the Sale and Purchase Agreement

Date

13 June 2017 (after trading hours of the Stock Exchange)

Parties

Purchaser	:	the Company
Vendors	:	Mr. Jiang, an executive Director and the chairman of the Company. As at the Latest Practicable Date, Mr. Jiang was interested in 1,742,300,000 Shares, representing approximately 28.66% of the issued share capital of the Company. Therefore, he is a connected person of the Company under the Listing Rules

Assets to be acquired

(a) the Sale Shares, representing the entire issued share capital of Pengxin Agricultural, which holds 99.99% of the Bolivian Company as at the Latest Practicable Date (and Pengxin Agricultural will acquire the remaining 0.01% interest of the Bolivian Company prior to Completion), which in turn holds six agricultural plots of land (namely (i) El Recreo, (ii) Tres Marias Fundo A, (iii) Tres Marias I Lot 1, (iv) Tres Marias I Lot 2, (v) Tres Marias I Lot 3 and (vi) Tres Marias I Lot 4) in Bolivia, and has purchased the adjacent agricultural plot of land Tres Marias I Lot 5 in Bolivia; and

(b) the Sale Loan, being the aggregate sum due and owing by Pengxin Agricultural to Mr. Jiang immediately prior to Completion.

As at the Latest Practicable Date, the amount owed by Pengxin Agricultural to (i) Mr. Jiang amounted to approximately US$27,217,000 (equivalent to approximately HK$212,293,000); and (ii) Shanghai Pengxin Group Company Limited, a company owned as to 99% by Mr. Jiang, amounted to US$1,000,000 (equivalent to approximately HK$7,800,000). Therefore, it is expected that the amount owing by Pengxin Agricultural to Mr. Jiang will be approximately US$28,217,000 (equivalent to approximately HK$220,093,000) upon Completion. The original cost paid by Mr. Jiang in acquiring the Pengxin Agricultural Group amounted to approximately US$27,204,000 (equivalent to approximately HK$212,191,000).

The Consideration and the Adjustment

Terms set out in the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018)

Pursuant to the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018), subject to the Adjustment, the aggregate Consideration is US$46,000,000 (equivalent to approximately HK$358,800,000), of which the consideration for the Sale Loan is equivalent to its face value and the consideration for the Sale Shares shall be the balance of the Consideration after deducting the consideration of the Sale Loan. The Consideration shall be satisfied in the following manner:

(a) as to US$25,000,000 (equivalent to approximately HK$195,000,000) (the "**Deposit**") payable by the Company to Mr. Jiang in cash as deposit and part payment of the Consideration upon signing of the Sale and Purchase Agreement; and

(b) as to US$21,000,000 (equivalent to approximately HK$163,800,000) (the "**Balance**") payable by the Company to Mr. Jiang in cash upon Completion.

As at the Latest Practicable Date, the Deposit had been paid. Mr. Jiang shall, within five business days from the expiry of the Long Stop Date or the date of the Company's notice stating it is not satisfied with the results of the due diligence review, refund the

Deposit to the Company. Subject to the aforesaid refund and certain surviving provisions, neither party shall have any obligations and liabilities towards each other under the Sale and Purchase Agreement, save for any antecedent breaches of the terms thereof.

If the conditions precedent to the Acquisition as set out in the Board Letter have been fulfilled on or before the Long Stop Date, but either the Company or Mr. Jiang shall fail to complete the sale and purchase of the Sale Shares and the Sale Loan, the non-defaulting party may forthwith determine the Sale and Purchase Agreement by giving notice of termination in writing to the defaulting party to such effect, in which event Mr. Jiang shall forthwith refund to the Company the Deposit. Thereafter, neither party shall have any obligations and liabilities hereunder nor take any action to claim for damages or to enforce specific performance or any other rights and remedies save for any antecedent breaches of the terms hereof. At the time of entering into the Sale and Purchase Agreement, the Company expected all conditions shall have been fulfilled on or before the initial long stop date, being 31 December 2017. However, additional time was required to liaise with auditors for audit of Pengxin Agricultural Group's financial statements, the Company accordingly entered into an extension notice to extend the initial long stop date to 31 March 2018. At or around the end of March 2018, the audit of Pengxin Agricultural Group was still ongoing. Based on the preliminary updated information from the valuers obtained by the Company in March 2018, the value of El Recreo, Tres Marias Fundo A and Tres Marias I Lots 1 to 4 had also increased as compared to the draft preliminary valuation obtained at the signing of the Sale and Purchase Agreement in 2017. As such, the Company considered no interests of the Shareholders had been prejudiced and it was appropriate to further extend the long stop date to 30 June 2018 by entering into the second extension notice on 26 March 2018. During the 12 months between the date of the Sale and Purchase Agreement and the date of the Circular, the Group had been conducting further due diligence on Pengxin Agricultural Group (including liaising with auditors for audit of Pengxin Agricultural Group's financial statements and valuers for updated valuation), and the Vendor had been co-ordinating with legal professional and the relevant government department for further land registration procedures relating to Tres Marias I Lots 1 to 5 (each a "**Relevant Plot**") . Since the Deposit is refundable and considering the substantial amount of work involved prior to Completion, the Company considered payment of the Deposit is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

Further details of the Consideration and the Adjustment are set out in the paragraph headed "The Consideration and the Adjustment" in the Board Letter.

The Consideration was determined between the Company and Mr. Jiang after arm's length negotiations with reference to the unaudited consolidated adjusted net asset value of the Pengxin Agricultural Group (including the Sale Loan) of approximately US$48,698,000 (equivalent to approximately HK$379,844,000), calculated as follows:

(a) the unaudited consolidated net asset value of the Pengxin Agricultural Group (including the Sale Loan) of approximately US$11,027,000 (equivalent to approximately HK$86,011,000) as at 31 December 2016, prepared in accordance with International Financial Reporting Standards;

plus

(b) the Sale Loan of US$28,217,000 (equivalent to approximately HK$220,093,000);

minus

(c) the book value of each of Tres Marias I Lots 1 to 5 (the "**Relevant Plots**", each a "**Relevant Plot**") as follows:

Relevant Plots	**Approximate book value at 31 December 2016**
Tres Marias I Lot 1	US$3,145,000
Tres Marias I Lot 2	US$1,168,000
Tres Marias I Lot 3	US$1,190,000
Tres Marias I Lot 4	US$1,116,000
Tres Marias I Lot 5	US$807,000
Total	US$7,426,000
	(equivalent to approximately HK$57,923,000)

plus

(d) the increase in fair value of El Recreo and Tres Marias Fundo A of approximately US$16,880,000 (equivalent to approximately HK$131,664,000), which is equivalent to the difference between (a) their aggregate book value of approximately US$25,120,000 (equivalent to approximately HK$195,936,000) as at 31 December 2016 recorded in the unaudited consolidated financial statements of the Pengxin Agricultural Group as at such date; and (b) the Estimated Value (as defined in the Board Letter), i.e. US$42,000,000 (equivalent to approximately HK$327,600,000).

The amount of Adjustment was determined between the Company and Mr. Jiang after arm's length negotiations with reference to the aggregate estimated value of the Relevant Plots of US$10,730,000 (equivalent to approximately HK$83,694,000) assuming that valid title certificate(s) of the Relevant Plot has been issued and the Relevant Plot is freely transferable. The Company shall pay the amount of Adjustment within one month after satisfaction of the last of the conditions set out above in relation to the Relevant Plot.

As set out in the Board Letter, it is also a condition to payment of the Adjustment that the relevant value as set out in the valuation report (to be issued by a firm of independent professional valuers) regarding the Relevant Plot shall not be less than the corresponding amount set out the Board Letter.

The Board is of the view that the Consideration and the Adjustment are fair and reasonable and are in the interest of the Group as a whole.

Evaluation of the Adjustment

As stated in the Board Letter, the Consideration shall be adjusted upward by the following amount corresponding to the Relevant Plot (the "**Adjustment Value(s)**"). The following illustrated the Adjustment Value and the market value at 29 March 2018 (the "**Market Value(s)**") for each of the Relevant Plot as set out in the valuation report (the "**Valuation Report**") prepared by an independent valuer, Cushman & Wakefield Limited (the "**Valuer**") in Appendix V of the Circular:

Relevant Plots	**Adjustment Values**	**Market value**
Tres Marias I Lot 1	US$ 4,410,000	US$ 6,200,000
Tres Marias I Lot 2	US$ 1,710,000	US$ 1,850,000
Tres Marias I Lot 3	US$ 1,740,000	US$ 1,850,000
Tres Marias I Lot 4	US$ 1,680,000	US$ 1,850,000
Tres Marias I Lot 5 *(Note)*	US$ 1,190,000	No commercial value

Note: As the title certificate of Tres Marias I Lot 5 is yet to be granted. Assuming that the valid title certificate of Tres Marias I Lot 5 had been issued and such plot is freely transferable, the reference value of Tres Marias I Lot 5 as at 29 March 2018 would be US$1,340,000 according to the Valuation Report.

As advised by the Company, the Adjustment Value of each of the Relevant Plots was determined with reference to the preliminary valuation dated 20 December 2016 prepared by the Valuer. Pursuant to the Sale and Purchase Agreement, as one of the conditions precedent of the Adjustment, the value of the Relevant Plots as shown in the relevant valuation report should not less than the Adjustment Values. Hence, the Company will be able to purchase all the Relevant Plots at the Adjustment Values, which are lower than the market values of the Relevant Plots. As stated in the Valuation Report, the market value of each of the Relevant Plots is higher than the Adjustment value as at 29 March 2018. Furthermore, as discussed in the section headed "Bolivian agricultural market prospective and potential synergy effect" in this letter, we expected the land prices will experience an upward trend.

Having considered that (i) the Company is able to purchase the Relevant Plots at the Adjustment Values which will be lower than the Market Values; and (ii) the general land price in Bolivia has been experiencing an upward trend, we are of the view that the Adjustment is fair and reasonable.

Legal procedures to obtain the legal titles for the Relevant Plots

We have noted from the Board Letter that, so far as the Directors' understanding, although land parcels (such as Tres Marias I Lots 1 to 4) have been duly registered with the Real Estate Office of Bolivia under the owner's name, to obtain complete and proper ownership rights for a land parcel in Bolivia, the owner must also additionally satisfy local land reform requirements, which are regulated by a separate public entity, the National Agency of Agrarian Reform ("**INRA**", which is an authority separate from the Real Estate Office). Such requirements are that the land must, (i) be productive; and (ii) fulfill a social economic function. This requires review and clarification of the land ownership, activities that take place and physical properties of the land. If these requirements are fulfilled, INRA will issue a "Final Administrative Resolution" (together, the "**Administrative Clearance Process**") and then the President of Bolivia proceeds to issue the definite title.

So far as the Directors' understanding, to enhance the efficiency in managing five plots of land (by reducing administrative cost in handling one plot instead of five plots) and to enhance the feasibility in plantation including the agricultural area and plantation plan in one single plot, the Bolivian Company decided (prior to the date of the Sale and Purchase Agreement) to merge Tres Marias I Lots 1 to 5 together into one single plot and rename it as "El Arrozal" upon completion of the Administrative Clearance Process. However, this merger was put on hold because INRA issued a resolution on 9 March 2016 (the "**Resolution**") stating Tres Marias I Lots 1 to 5 did not fulfill social economic functions. Accordingly, complete ownership interest of Tres Marias I Lots 1 to 5 has yet been obtained. However, no clear explanation was given in the Resolution as to why and how non-fulfilment arose.

In an effort to overturn the decision made under the Resolution, the Bolivian Company has commenced judicial proceedings (the "**Appeal Proceedings**") before the Agricultural Tribunal in Sucre, Bolivia. As advised by the Bolivian legal counsel, the Bolivian Company has a favourable case and expects a favourable judgment. Once favourable judgment has been obtained, the Administrative Clearance Process on Tres Marias I Lots 1 to 5 must start afresh.

When deciding on the Acquisition, the Group had taken into account the advice from Bolivian legal counsel. In particular:

(a) the definite legal title of El Recreo and Tres Marias Fundo A has been obtained;

(b) during the Appeal Proceedings, the Bolivian Company may continue its operations lawfully on Tres Marias I Lots 1 to 5 under the laws of Bolivia;

(c) subject to compliance of all necessary procedures (such as the Administrative Clearance Process) as required by the relevant government authorities in Bolivia, there is no legal impediment to obtain the proper legal title for Tres Marias I Lots 1 to 5; and

(d) it is estimated that upon commencing the new Administrative Clearance Process, it may take approximately 20 months to obtain a new resolution from INRA and obtain complete ownership rights for Tres Marias I Lots 1 to 5.

The Directors also took into account:

(a) the site area for cultivation of El Recreo and Tres Marias Fundo A represents approximately 80% of the total site area currently under operation by the Bolivian Company. El Recreo and Tres Marias Fundo A contributed to the major operation of the Bolivian Company while Tres Marias I Lots 1 to 5 are comparatively insignificant to the overall operation of the Bolivian Company; and

(b) the Adjustment is only payable if all additional conditions have been met within the three-year timeframe.

Based on the above, the Directors consider setting out a three-year time frame for the Adjustment is fair and reasonable.

The Consideration (before any Adjustment) is based on the value of El Recreo and Tres Marias Fundo A only, which have proper legal title. Tres Marias I Lots 1 to 5 are comparatively insignificant to the Bolivian Company when compared to El Recreo and Tres Marias Fundo A. Even if the Bolivian Company fails to obtain the definite title for Tres Marias I Lots 1 to 5, it will not materially affect the operation of the Bolivian Company. The Adjustment is an add-on mechanism, which is payable only, and only if, all additional conditions have been met within the three-year timeframe. In the event that the Bolivian Company obtains the definite title for Tres Marias I Lots 1 to 5 after the three-year timeframe, no Adjustment is required to be paid by the Group. Although the Company has been advised by the Bolivian legal counsel that if in the unlikely event that the Appeal Proceedings did not produce a favourable result to the Bolivian Company, ownership rights in Tres Marias I Lots 1 to 5 might be reverted to the Bolivian government, taking into account (i) the Bolivian legal counsel's detailed advice regarding the favourable position of the Bolivian Company in the Appeal Proceedings; (ii) advice from the Bolivian legal counsel that the Bolivian Company can continue to lawfully operate on the Relevant Plots prior to outcome of the Appeal Proceedings; and (iii) no Adjustment is required to be paid by the Group, the Directors consider that the Adjustment mechanism as well as the terms of the Sale and Purchase Agreement are fair and reasonable and in the best interest of the Company and the Shareholders as a whole. As set out above, (i) the site area for cultivation of El Recreo and Tres Marias Fundo A represents approximately 80% of the total site area currently under operation by the Bolivian Company and contributed to the major operation of the Bolivian Company and (ii) the site area of the Relevant Plots represents approximately 20% of the total site area which is insignificant to the overall operation of the Bolivian Company. Accordingly, in the unlikely event that proper legal title of the Relevant Plots could not be obtained, the Directors were of the view that this would not have material adverse effect on the operation of the Bolivian Company. Based on the above, the Company decided to proceed with the Acquisition.

We are given to understand that in the circumstance which the Appeal Proceedings produce a favorable outcome to the Bolivian Company but it is beyond the three year timeframe, the Company will able to acquire the Relevant Plots without any further payments. If the Appeal Proceedings will not produce a favourable outcome to the Bolivian Company, ownership rights in the Relevant Plots might be reverted to the Bolivian government. Furthermore, the Relevant Plots only account for approximately 20% of the total land held by the Bolivian Company. In the scenario that the Bolivian Company fails to obtain the legal titles of the Relevant Plots, as suggested by the Company, there will be no significant adverse effect on the operational side of the Bolivian Company.

Having considered that (a) the Bolivian Company has the legal titles for Tres Marias I Lots 1 to 4 and it is currently going through the Appeal Proceedings to obtain the complete ownership interests for the Relevant Plots; (b) the new Administrative Clearance Process, it may take approximately 20 months to obtain a new resolution from INRA and obtain complete ownership interests for Tres Marias I Lots 1 to 5; (c) the Company will be able to purchase all the Relevant Plots at the Adjustment Values, which are lower than the market values of the Relevant Plots; (d) during the Appeal Proceedings, the Bolivian Company may continue its operations lawfully on Tres Marias I Lots 1 to 5 under the laws of Bolivia; (e) the merger of Tres Marias I Lots 1 to 5 together into one single plot and rename it as ''El Arrozal''will increase the management efficiency; (f) the Company will be able to acquire the Relevant Plots without further payments in the event that the Bolivian Company fail to acquire the legal titles of the Relevant Plots; and (g) the Relevant Plots only account for 20% of the total land held by the Bolivian Company, there will not be no significant adverse effect on the operational side of the Bolivian Company in the event that the Bolivian Company fails to obtain the legal titles of the Relevant Plots, we concur with the Directors that the Acquisition is fair and reasonable.

Evaluation of the Consideration

In assessing the fairness and reasonableness of the Consideration, we have primarily considered (i) the Valuation, details of which are set out in Appendix V to the Circular; (ii) adjusted net asset value of the Pengxin Agricultural Group; and (iii) P/B Ratio and P/E Ratio of the Pengxin Agricultural Group.

Valuation

The Company has appointed the Valuer to prepare the Valuation Report for the market value of the Farm as at 29 March 2018. Pursuant to the Valuation Report issued by the Valuer, the total appraised value of the Farm was US$53,850,000 as at 29 March 2018. Details of the Valuation have been set out in Appendix V to the Circular.

For our due diligence purpose, we have carried out a site inspection to the Farm in January 2018, to have the due diligence work on the Farm and made relevant enquiries with the Valuer. In the course of our inspection, we did not note any apparent defects.

In addition, we have reviewed the Valuation Report and the underlying valuation workings and discussed with the Valuer, including, among other things:

(i) the terms of engagement of the Valuer with the Company in connection with the Acquisition and its independency. We consider that the scope of valuation work per the engagement letter entered into between the Company and the

Valuer are appropriate for the purpose of the Acquisition. Save for such engagement, the Valuer has confirmed that it is independent from the Company, Mr. Jiang, the Pengxin Agricultural Group and any of their respective associates;

(ii) the qualification and experience of the Valuer in relation to the Valuation. We are given to understand that the Valuer is certified with the relevant professional qualifications required to perform the valuation in connection with the Acquisition, and the professionals who are responsible to the valuation of the Farm include Mr. Andrew Chan, Mr. Nick Yeung and Mr. Julio C. Speroni. Mr. Andrew Chan has over 30 years of valuation experience and has expertise covers the valuation of properties with similar nature to the Farm, as the supervisor of the professional team in-charge of the valuation possesses, Mr. Julio C. Speroni has experience on valuations covers South America with 20 years' experience in real estate industry and property valuations sector. According to the track record of the Valuer, we note that it is experienced in undertaking valuation for properties in the South America. Also, Mr. Nick Yeung is involved in the discussion of the valuation. As advised by the Valuer, the skill sets involved in the valuation of different kinds of property using market comparison method are the same, in the course of valuation, Mr. Julio Cesar Speroni provided all the relevant materials including the current status of the Farm as well as the details of the comparable properties. The Valuer team including Mr. Andrew Chan, Mr. Julio C. Speroni and Mr. Nick Yeung have internally discussed the valuation before providing the opinion on the market value of the property; and

(iii) the valuation methodology, procedures and assumptions adopted by the Valuer in preparing the Valuation Report. The Valuer advised that it had performed necessary due diligence for the preparation of the Valuation Report which includes inspections, made relevant enquiries and searches and obtained such further information as considered necessary, and conducted its own proprietary research for similar properties to the Farm. We also noted from the Valuer that, in valuing the Farm, the Valuer has fully complied with relevant valuation standards where details are set forth in the Valuation Report contained in Appendix V to the Circular.

In arriving at the appraised value of the Farm, we are given to understand that the Valuer has made the assumption that no allowance has been made in the valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

As further advised by the Valuer, they had collected and analysed the recent asking and actual transactions of the comparable properties which (i) has the same function as the Farm; (ii) currently trading in the market; and (iii) located within the Santa Cruz Department. As advised by the Valuer, Bolivia is a developing country in which the real estate market is non-transparent which implies that there is limited publicly available official information regarding completed transaction in Bolivia and there is lack of transaction volume for agricultural properties. Given the aforementioned limitation factors, it is the market practice to make reference to asking transactions of comparable properties and also adopted a discount factor to the asking prices of an average of 10%. As suggested by the Valuer, the discount factor is adopted due to the fact that the asking prices might subject to negotiations, therefore a premium could be imposed to the asking prices. The Valuer collected the information of those comparable properties with similar nature of the subject property and located within the Santa Cruz Department. For due diligence purpose, the Valuer has checked with the broker involved and by reviewing the satellite pictures of those comparable properties. Having considered that the Bolivian real estate market is non-transparent and limited transactions are available publicly, the Valuer has also imposed a discount factor to counter the potential premium of the relevant asking prices. Therefore, we are of the view that asking prices adopted by the Valuer is fair and reasonable.

Based on the abovementioned criteria, the Valuer has utilised its professional knowledge as well as information gathered from the local intelligence to make the adjustments of the comparable transactions. Each comparable property is analysed on the basis of its unit rate. Each attribute of the comparable property is then compared with the subject property and where there is a difference, the unit rate is adjusted in order to arrive at the appropriate unit rate for the subject property. This is done by making percentage adjustments to the unit rate for various factor including date of transaction, used size, shape, location, accessibility and aptitude, etc. For example, (i) the Valuer made a downward adjustment to the comparable property which is smaller than the subject property upon the fact that a larger property would take more time to be sold; (ii) a downward adjustment to the comparable property which is irregular in shape due to the fact that would infer an easily structured parcelling process for a productive farm, so an irregular property would end into a downward adjustment; (iii) location and accessibility (closer to main cities, roads, etc) are also the main factors of adjustment depending on each cases; and (iv) agriculture aptitude is based on the quality of the land of generating income from agriculture business, a lower agricultural capability will subject a downward adjustment. 5 comparable properties (collectively, the "**Comparable Properties**") were identified by the Valuer but only 4 Comparable Properties were adopted for the valuation. We are given to understand from the Valuer that, as at the date of the Valuation (i.e. 29 March 2018), the Comparable Properties for the Farm are exhaustive.

In addition, we have reviewed the calculation for the comparable farms' value of a pervious initial public offer in the New York Stock Exchange which is done by the Valuer and the initial public offer involved an agricultural company which has farm lands in several Latin American countries (the "**IPO Transaction**"). We have also reviewed the calculation of the Farm's value given by the Valuer and noticed that the methodology adopted, and the adjustment factors are consistent for both cases. After the review of the calculations for the Farm's value and the value of the farm lands in relation to the IPO Transaction, we noticed the adjustments made by the Valuer are consistent for both the Farm and the IPO Transaction as describe above. We have also noticed that a 10% discount to the asking price is imposed for both cases. The 10% discount factor adopted was consistent with the IPO Transactions which have similar farm land in the Latin American region, as we are given the understanding that the asking prices might consist with a premium.

Having considered that the adjustments made by the Valuer and the adjustment factors considered are consistent between the IPO Transaction and the Farm as well as both cases adopted a 10% discount factor to the asking price, we are of the view that the adjustments made as well as the 10% discount factor to the ask pricing are fair and reasonable.

We also noted that the Comparable Properties are extracted from varies websites and local real estate broker, as advised by the Valuer, sources of information are not centralised in one single website, the websites are served the purpose as to identify potential transactions. Thus, in order to ensure the sources of information is accurate and up to date, the Valuer has conducted further due diligence work such as telephone conversations with each of the vendors to obtain the most updated information for each of the Comparable Properties. Further criteria are imposed to the selection of the Comparable Properties based on the time frame within four months prior to the date of the valuation date (i.e. 29 March 2018) and the Valuer's professional knowledge in which Comparable Properties shall be closely comparable with minimum adjustment needed.

The following is the list and details of the Comparable Properties:

Location	Municipality	Surface (hectare)	Agricultural area (hectare)	US$ per hectare	Sources
El Cruce	Obispo Santistevan	2,658	2,658	5,280	http://www.cresud.com.ar
El Chuchial	Obispo Santistevan	873	873	9,000	Information gathered from a local real estate broker
Warnes-Los Siervos	Obispo Santistevan	270	270	5,300	https://www.agroads.com.ar
Villa Carino Al Suroeste	El Puente	1,750	500	2,300	http://bolivia.bienesonline.com
La Isabela	Obispo Santistevan	1,700	1,300	3,500	Information gathered from a local real estate broker and refer to http://www.cadetierras.com.ar

The following is the list and details of the Farm (further details of the Farm please refer to the valuation report set out in the Appendix V in the Circular):

Plot	**Site Area (Hectares)**	**Market Value in existing state as at 29 March 2018**
El Recreo	4,863.23	US$18,700,000
Tres Marias Fundo A	4,872.69	US$23,400,000
Tres Marias I Lot 1	1,260.00	US$6,200,000
Tres Marias I Lot 2	375.00	US$1,850,000
Tres Marias I Lot 3	375.00	US$1,850,000
Tres Marias I Lot 4	375.00	US$1,850,000
Tres Marias I Lot 5	272.76	No commercial value *(Note)*
Total:	12,393.68	US$53,850,000

Note: As the title certificate of Tres Marias I Lot 5 is yet to be granted. Assuming that the valid title certificate of Tres Marias I Lot 5 had been issued and such plot is freely transferable, the reference value of Tres Marias I Lot 5 as at 29 March 2018 would be US$1,340,000 according to the Valuation Report.

For due diligence purpose, we have visited the abovementioned websites and we have conducted independent search on all the Comparable Properties selected by the Valuers. Our findings for the Comparable Properties which are located in El Cruce, Warnes-Los Siervos and Villa Carino Al Suroeste are similar to those of the Valuer as the information displayed on the website is consistent with the Comparable Properties which are chosen by the Valuer. However, due to communication difficulties and market data non- transparency, we are unable to verify the asking prices of the Comparable Properties which are located in El Chuchial and La Isabela. Furthermore, we have noticed that the Comparable Property that is located in El Chuchial exhibits an extraordinary premium as compared to other Comparable Properties and the Comparable Property that is located in Villa Carino Al Suroeste exhibits a relatively low US$ per hectare. As suggested by the Valuer, the Comparable Property that is located in El Chuchial is excluded in the valuation due to the exceptional premium imposed by the vendor. For the Comparable Property that is located in Villa Carino Al Suroeste, the Valuer has done relevant adjustments such as upward adjustment to its location, regular shape, the quality of the land of generating income from agriculture business and the topography. After reviewing of the adjustment made by the Valuer and a discussion with the Valuer, we considered that the exclusion of the Comparable Property that is located in El Chuchial and the adjustments made to the Comparable Property that is located in Villa Carino Al Suroeste are fair and reasonable.

As advised by the Valuer, the websites are solely served for identification purpose which means that the Valuer is able to identify farm lands that are currently trading in the market. The Valuer has conducted further due diligence work such as site visit and telephone calls with the corresponding vendors to ensure the information is accurate and up to date. Furthermore, the Valuer has enquired local real agents to access further information in relation to farm lands that are currently trading in the market. We are given to understand that although there are lack of information transparency regarding the amount of farm lands that are currently trading, the Valuer has done all the necessary work to ensure all the information is accurate and up to date. We are of the view that the information of the Comparable Properties obtained by the Valuer is reliable.

Given that (i) the Comparable Properties are with similar characteristics of the Farm; (ii) the information of the Comparable Properties obtained by the Valuer is reliable which represents the market price of the Comparable Properties; and (iii) the qualification and experience of the Valuer as mentioned above, we are of the view that the Comparable Properties are fair and representative.

Having considered (i) our analysis on the methodology, basis and assumptions of the Valuation as mentioned above; (ii) the Valuer is independent from the Company, Mr. Jiang, the Pengxin Agricultural Group and any of their respective associates; and (iii) the Valuer has sufficient qualification and experience for preparation of the Valuation Report, we are of the view that the principal basis and assumptions adopted for the Valuation are fair and reasonable.

Comparison between the adjusted net asset value of the Pengxin Agricultural Group

Pursuant to the Sale and Purchase Agreement, the Company will acquire the Sale Shares and the Sale Loan at the aggregate Consideration of US$46 million.

To assess the fairness and reasonableness of the Consideration, we have considered that it is more appropriate to compare the Consideration with the adjusted net asset value (the "**Adjusted NAV**") of the Pengxin Agricultural Group after taking into account of the appraised value of the Farm (excluding the Relevant Plots), which reflects the most updated net asset value of the Pengxin Agricultural Group. Based on the information provided by the management and as set out in the Circular, set out below is the relevant calculations of the Adjusted NAV:

	US$
The Consideration	
Sale Loan	28,217,000
Add: Sale Shares *(Note)*	17,783,000
Total	46,000,000

	US$
Adjusted NAV	
Unaudited consolidated net asset value of Pengxin Agricultural Group as at 31 December 2016	11,027,000
Plus	
the Sale Loan	28,217,000
Minus	
The book value of the 7 agricultural plots as at 31 December 2016:	
(i) El Recreo and Tres Marias Fundo A	25,120,000
(ii) Tres Marias I Lot 1	3,145,000
(iii) Tres Marias I Lot 2	1,168,000
(iv) Tres Marias I Lot 3	1,190,000
(v) Tres Marias I Lot 4	1,116,000
(vi) Tres Marias I Lot 5	807,000
The total book value of the 7 agricultural plots	32,546,000
Plus	
The market value of El Recreo and Tres Marias Fundo A as at 31 December 2016	
El Recreo & Tres Marias Fundo A	42,000,000
Adjusted NAV:	**48,698,000**
Discount to Adjusted NAV *(Percentage is calculated based on the difference between the Adjusted NAV and the Consideration divided by the Adjusted NAV)*	2,698,000 (representing approximately 5.54% discount)

Notes: The consideration for the Sale Shares shall be the balance of the Consideration after deducting the consideration of the Sale Loan (i.e. US$28,217,000).

As shown in the above calculations, the Consideration represents a discount of approximately 5.54% to the Adjusted NAV.

Having taken into account of (i) the Valuation; (ii) the Adjusted NAV, which detail analysis has been set out above; and (iii) the discount represented by the Consideration to the Adjusted NAV, we are of the view that the Consideration is fair and reasonable.

Comparables

In order to further assess the fairness and reasonableness of the Consideration, we have attempted to compare the price-to-earnings ratio (the "**P/E Ratio**") and price-to-book ratio (the "**P/B Ratio**") as represented by the Consideration to the unaudited net profit after taxation of Target Group for the year ended 31 December 2017 and to the Adjusted NAV, with the P/E Ratio and P/B Ratio of other companies engaged in agriculture farming similar to the Target Group.

Based on the following criteria and our best effort: (i) the companies are publicly trading in the Latin America region, of which Bolivia is located; and (ii) at least 80% of its revenue is generated from agriculture farming, which is similar to the principal business of the Target Group, 4 companies are selected, which are exhaustive (the "**Business Comparables**"). We consider that the Business Comparables are fair and representative samples for comparison as well as the list of the Business Comparables is exhaustive since (a) the primary source of income of each of the Business Comparables is agriculture farming which is similar to the Target Group; and (b) the Business Comparables are operated mainly in the Latin America region which is similar to the Target Group. Whilst the scale of operations, financial position, market capitalisation and future prospects of the Business Comparables are not exactly the same as the Target Company, given that we have included all available Business Comparable based on our selection criteria mentioned above, we are of the view that the Business Comparables serve as a general reference in assessing the fairness and reasonableness of the Consideration and also that the list of Business Comparables is fair, sufficient and representative sample as well as it is exhaustive. Details of our analysis are set out in the following table:

Stock Code	**Company Name**	**Principal business activities**	**P/E Ratio** *(Note 1)*	**P/B Ratio** *(Note 2)*
TESA3.BZ	Terra Santa Agro S.A.	Terra Santa Agro S.A. operates as an agricultural commodities producer. The company produces soybeans, corn, cotton, and other agricultural products. Terra Santa Agro conducts business in Brazil	30.77	0.23
HF.CI	Hortifrut S.A.	Hortifrut SA operates farms that produce fruits. The company produces and markets fresh berries, in different parts of the world	55.53 *(Note 5)*	6.06 *(Note 5)*

Stock Code	Company Name	Principal business activities	P/E Ratio *(Note 1)*	P/B Ratio *(Note 2)*
CADO.AR	Carlos Casado S.A.	Carlos Casado SA engages in the farming and livestock breeding, and biodiesel production industry. The company was founded by Carlos Casado del Alisal on November 29, 1909 and is headquartered in Buenos Aires, Argentina.	21.52	1.35
VICONTO.CI	Fruticola Viconto S.A	Fruticola Viconto S.A. raises, markets, and exports fresh and frozen fruits and vegetables. The company owns plantations in Central Chile and grows apples, pears, peaches, nectarines, plums, apricots, cherries, raspberries, blueberries, kiwis, asparagus, avocados, and lemons.	10.01	0.82
		Minimum	10.01	0.23
		Maximum	30.77	1.35
		Average	20.77	0.80
		The Target Group (Adjusted NAV)	28.07 *(Note 3)*	0.94 *(Note 4)*

Source: Annual reports and interim reports of Business Comparables and Bloomberg

Notes:

1. The P/E ratios of the Business Comparables are calculated on the basis of their respective market capitalisation and profit attributable to equity holders as disclosed in the latest public annual reports.

2. The P/B ratios of the Business Comparables are calculated on the basis of their respective market capitalisation and net assets value attributable to equity holders as disclosed in the latest public latest public annual reports or interim report.

3. The P/E Ratio of the Target Group implied by the Consideration (the "**Implied P/E**") is calculated based on the Consideration of US$46 million divided by the unaudited profit attributable to equity owners of US$1,639,000 for the year ended 31 December 2017 as set out in Appendix II of the Circular.

4. The P/B Ratio of the Target Group implied by the Consideration (the "**Implied P/B**") is calculated based on the Consideration of US$46 million divided by the Adjusted NAV of US$48,698,000 after taking into consideration of the revaluation of the Farm as set out in the calculation in the section sub-headed "Comparison between the adjusted net asset value of the Pengxin Agricultural Group" in this letter.

5. The extraordinary P/E ratio and P/B ratio of Hortifrut S.A. (stock code: HF.CI) were considered as outliers and were excluded in the comparable analysis.

As shown in the table above, the P/E ratio of the Business Comparables ranges from approximately 10.01 to approximately 30.77 with an average of 20.77 and the P/B ratio of the Business Comparables ranges from approximately 0.23 to approximately 1.35 with an average of 0.80. We noted that the Implied P/E Ratio is higher than the average of the P/E Ratio of the Business Comparables but lies within the range of the P/E Ratio of the Business Comparables. The Implied P/B Ratio is significantly higher than the average and lies within the range of the P/B ratio of the Business Comparables. Hence, we are of the view that the Consideration is fair and reasonable.

Payment method

We have noticed that as the Latest Practicable Date, the Deposit had been paid and the Balance is payable by the Company to Mr. Jiang in cash upon Completion. We have further noticed from the Board Letter that during the 12 months between the date of the Sale and Purchase Agreement and the date of the Circular, the Group had been conducting further due diligence on Pengxin Agricultural Group (including liaising with auditors for audit of Pengxin Agricultural Group's financial statements and valuers for updated valuation), and the Vendor had been co-ordinating with legal professional and the relevant government department for further land registration procedures relating to Relevant Plots. We have enquired the Company in relation to the lengthy due diligence process and we are given to understand that due to the difference between the accounting standard in Hong Kong and Bolivia, auditors required additional time to produce the relevant financial statements of the Bolivian Company. As stated in the Board Letter, based on the preliminary updated information from the valuers obtained by the Company in March 2018, the value of El Recreo, Tres Marias Fundo A and Tres Marias I Lots 1 to 4 had also increased as compared to the draft preliminary valuation obtained at the signing of the Sale and Purchase Agreement in 2017. As such, the Company considered no interests of the Shareholders had been prejudiced. Having further considered that (i) the difficulties arose from the different accounting standards between Bolivian and Hong Kong; and (ii) the value of El Recreo, Tres Marias Fundo A and Tres Marias I Lots 1 to 4 had also increased as compared to the draft preliminary valuation obtained at the signing of the Sale and Purchase Agreement in 2017, we are of the view that the Deposit is fair and reasonable despite the facts that it has been approximately eleven months since the payment of the Deposit and the Acquisition is still in progress.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, Pengxin Agricultural will become a wholly owned subsidiary of the Group and thus the assets, liabilities and financial results of the Pengxin Agricultural and its subsidiaries will be consolidated into those of the Group.

Assets and liabilities

As illustrated in the unaudited pro forma financial information as set out in Appendix IV to the Circular, assuming the Completion takes place on 31 December 2017, the total assets of the Enlarged Group would have increased from HK$4,640,385,000 to approximately HK$5,013,820,000 on a pro forma basis, and the total liabilities of the Enlarged Group would have increased from HK$1,412,248,000 to approximately HK$1,788,683,000 on a pro forma basis.

Earnings

As set out in the accountant's report on Pengxin Agricultural Group in Appendix II to the Circular, the audited consolidated revenue and the audited consolidated net profit attributable to owner of Pengxin Agricultural were approximately US$8,484,000 and US$1,639,000 for the period ended 31 December 2017, respectively.

The attention of the Shareholders is drawn to the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to the Circular.

RISK FACTORS

Independent Shareholders should be aware of the risk factors associated with the Acquisition, which may not be exhaustive, relating to the Acquisition as set out under the section headed "Risk associated with Tres Marias I Lot 5" of the Board Letter. Having considered that (i) the potential prospect of the agricultural industry of Bolivia; (ii) a potential synergy effect with the Group's cattle raising business; (iii) the Consideration represents a discount as compared with the Adjusted NAV, we concur with the Board that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole having balanced the benefits of the Acquisition.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the Sale and Purchase Agreement is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend Independent Shareholders to vote in favour of the relevant resolution for approving the Transaction.

Yours Faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Ms. Julisa Fong is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 21 years of experience in investment banking and corporate finance.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017 are disclosed in the Company's annual reports for the years ended 31 March 2015, 2016 and 2017 and the interim report for the six months ended 30 September 2017, respectively. All of these financial statements have been published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.everchina202.com.hk:

- the annual report of the Company for the year ended 31 March 2015 published on 28 July 2015 (pages 27 to 33);
- the annual report of the Company for the year ended 31 March 2016 published on 28 July 2016 (pages 28 to 34);
- the annual report of the Company for the year ended 31 March 2017 published on 27 July 2017 (pages 45 to 51); and
- the interim report of the Company for the six months ended 30 September 2017 published on 19 December 2017 (pages 4 to 9).

2. INDEBTEDNESS

As at the close of business on 15 May 2018 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), the Enlarged Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up) had outstanding indebtedness as follows:

		As at 15 May 2018
	Notes	*HK$'000*
Unguaranteed secured other borrowings	*(1)*	527,439
Guaranteed secured other borrowings	*(2)*	567,148
Unguaranteed secured bank borrowing	*(3)*	7,839
		1,102,426

Notes:

1. It was secured by the Group's investment properties, financial assets at fair value through profit or loss and the 100% equity interest in a subsidiary of the Company.

2. It was guaranteed by the Company and secured by the Group's investment properties and property, plant and equipment.

3. It was secured by a portion of land of Pengxin Agricultured Group.

Save as disclosed above and apart from intra-group liabilities, the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up) did not have any (i) debt securities issued and outstanding, authorised or otherwise created but unissued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured; (ii) other borrowings or indebtedness in the nature of borrowing; (iii) mortgages and charges; and (iv) any contingent liabilities or guarantees as at the close of business of 15 May 2018.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 15 May 2018.

3. FINANCIAL AND TRADING PROSPECTS

The Group

The Company is an investment holding company. The Group is principally engaged in property investment operation, hotel operation, financing and securities investment operations, natural resources operation and agricultural operation.

For the six months ended 30 September 2017, the Group recorded total unaudited consolidated revenue of HK$63,283,000 of which HK$39,828,000 or approximately 62.9% was contributed by the property investment operation, HK$20,609,000 or approximately 32.6% was contributed by the hotel operation, HK$2,375,000 or approximately 3.8% was contributed by financing and securities investment operations and HK$471,000 or approximately 0.7% was contributed by the newly start-up agricultural operation during the period.

Notwithstanding the above, as disclosed in the section headed "Management Statement" of the interim report of the Group for the six months ended 30 September 2017, the Group's strategic aim remained to achieve a long-term sustainable growth by strengthening its existing business and identify any suitable investment opportunities to strive for the best return to the Shareholders. In line with the strategy as described above, the Group entered into the Sale and Purchase Agreement.

Enlarged Group

Upon Completion, Pengxin Agricultural Group will become the indirect wholly-owned subsidiaries of the Company and their financial information will be consolidated into the consolidated financial statements of the Group.

As disclosed in the accountant's report of Pengxin Agricultural Group set out in Appendix II to this circular, Pengxin Agricultural Group recorded total audited consolidated revenue of US$8,484,000 (equivalent to approximately HK$66,175,000) for the year ended 31 December 2017 which represents approximately 97% of the Group's total revenue of HK$67,951,000 for the year ended 31 March 2017. It is expected that Pengxin Agricultural Group would become the major source of revenue of the Group. After taking into account the factors set out in the paragraph headed "Reasons for the

Acquisition'' in the Letter from the Board of this circular, the Directors consider that the Acquisition is beneficial to the Group as it could strengthen the Group's agricultural operation and investment portfolio. The Acquisition further provides an opportunity for the Group to expand its scope of business operation and income stream to generate stable and greater return to the Company in the long-run.

Looking ahead, the Group will continue to strive for business growth and seize opportunities in order to bring greater returns to the Shareholders.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, were of the opinion that taking into account the present available financial resources and banking and other facilities presently available, the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up) has sufficient working capital for at least 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

On 10 November 2017, the Board announced that the Group expected to record a significant loss for the six months ended 30 September 2017 as compared to the profit of HK$301,299,000 for the same period of the previous year. Such loss was mainly due to (i) an unrealised loss arising from the change in financial assets held for trading for the six months ended 30 September 2017 as compared to the profit of HK$285,673,000 for the same period of the previous year; and (ii) a loss arising from change in fair value of the Group's investment properties for the six months ended 30 September 2017 as compared to the profit of HK$80,233,000 for the same period of the previous year.

On 8 June 2018, the Board announced that the Group expected to record a loss for the year ended 31 March 2018 as compared to the profit for the year ended 31 March 2017. The anticipated turnaround to loss was mainly attributable to, including but not limited to, (i) recognition of loss arising on the change in financial assets at fair value through profit or loss as compared to the profit of HK$223,176,000 for the same period of last year; (ii) payment of the PRC Enterprise Income Tax of approximately RMB88,530,000 (equivalent to approximately HK$109,296,000) after tax examination by the Tianjin Tax Bureau and recognition of a provision of overdue fine charged by the Tianjin Tax Bureau of RMB53,910,000 (equivalent to approximately HK$66,556,000); and (iii) an increase in provision for impairment of trade and other receivables and prepayments.

Save for the above, as well as (i) the loss attributable to owners of the Company for the six months ended 30 September 2017 and (ii) the decrease in net assets of the Group to approximately HK$415,261,000 as at 30 September 2017 as disclosed in the interim report of the Group for the six months ended 30 September 2017 and in this appendix, 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 March 2017, the date to which the latest published audited consolidated accounts of the Company had been made up.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

28 June 2018

The Board of Directors
EverChina Int'l Holdings Company Limited
Suites 601–603, 6/F.,
Everbright Centre,
108 Gloucester Road,
Wanchai
HONG KONG

Dear Sirs,

We report on the historical financial information of Pengxin Agricultural Holdings Company Limited (the ''Target Company'') and its subsidiaries (together, the ''Target Group'') set out on pages II-4 to II-37, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2015, 31 December 2016 and 31 December 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 (the ''Relevant Periods'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information of the Target Group''). The Historical Financial Information of the Target Group set out on pages II-4 to II-37 forms an integral part of this report, which has been prepared for inclusion in the circular of EverChina Int'l Holdings Company Limited (the ''Company'') dated 28 June 2018 (the ''Circular'') in connection with the proposed acquisition of the Target Company (the ''Acquisition'').

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

The directors of the Target Company is responsible for the preparation of Historical Financial Information of the Target Group that gives a true and fair view in accordance with the basis of preparation set out in Note 3(a) to the Historical Financial Information of the Target Group, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Historical Financial Information of the Target Group that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information of the Target Group and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information of the Target Group is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information of the Target Group. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information of the Target Group, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information of the Target Group that gives a true and fair view in accordance with the basis of preparation set out in Note 3(a) to the Historical Financial Information of the Target Group in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information of the Target Group.

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

OPINION

In our opinion, the Historical Financial Information of the Target Group gives, for the purpose of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2015, 31 December 2016 and 31 December 2017 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 3(a) to the Historical Financial Information of the Target Group.

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

Adjustments

In preparing the Historical Financial Information of the Target Group, no adjustments to the Historical Financial Information of the Target Group for the Relevant Periods have been made.

Dividends

We refer to Note 13 to the Historical Financial Information of the Target Group which stated that no dividend have been paid by the Target Company in respect of the Relevant Periods.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information of the Target Group which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information of the Target Group is based, were audited by HLB Hodgson Impey Cheng Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the ''Underlying Financial Statements'').

The Historical Financial Information of the Target Group is presented in the United States Dollars and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

A. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December		
		2015	**2016**	**2017**
	Notes	*US$'000*	*US$'000*	*US$'000*
Revenue	*7*	4,886	10,230	8,484
Cost of sales		(3,901)	(7,752)	(5,647)
Other income	*8*	20	7	30
Fair value change on biological assets	*16*	9	38	(18)
Administrative costs		(1,417)	(1,400)	(1,176)
(Loss)/profit from operations		(403)	1,123	1,673
Finance costs	*9*	—	—	(34)
(Loss)/profit before taxation		(403)	1,123	1,639
Taxation	*12*	—	—	—
(Loss)/profit for the year	*10*	(403)	1,123	1,639
Other comprehensive (loss)/ income for the year		(403)	1,123	1,639
Total comprehensive (loss)/income for the year attribute to owners of the Target Company		(403)	1,123	1,639

The accompanying notes form an integral part of the Historical Financial Information of the Target Group.

Consolidated Statement of Financial Position

		Year ended 31 December		
		2015	**2016**	**2017**
	Notes	*US$'000*	*US$'000*	*US$'000*
Non-current asset				
Property, plant and equipment	*15*	36,588	35,985	35,913
Current asset				
Inventories	*17*	4,310	1,149	996
Biological assets	*16*	597	689	692
Trade and other receivables and prepayments	*18*	1,044	1,256	3,583
Amount due from related parties	*19*	1,700	2,796	2,676
Cash and cash equivalents	*20*	473	225	868
		8,124	6,115	8,815
Total assets		44,712	42,100	44,728
Capital and reserves				
Share capital	*25*	—	—	—
Reserve		9,833	10,956	12,595
Total equity		9,833	10,956	12,595
Non-Current Liabilities				
Loan from a related company	*22*	1,000	1,000	—
Bank borrowing	*23*	—	—	871
		1,000	1,000	871
Current Liabilities				
Trade and other payables and receipt in advance	*21*	6,665	2,927	2,908
Amounts due to a shareholder	*24*	27,214	27,217	28,220
Bank borrowing	*23*	—	—	134
		33,879	30,144	31,262
Total liabilities		34,879	31,144	32,133

	Year ended 31 December		
	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
Total equity and liabilities	44,712	42,100	44,728
Net current liabilities	(25,755)	(24,029)	(22,447)
Total assets less current liabilities	10,833	11,956	13,466

The accompanying notes form an integral part of the Historical Financial Information of the Target Group.

Consolidated Statement of Changes in Equity

	Share capital *US$'000*	Retained earnings *US$'000*	Total *US$'000*
At 1 January 2015	—	10,236	10,236
Loss for the year	—	(403)	(403)
Total comprehensive loss for the year	—	(403)	(403)
At 31 December 2015 and 1 January 2016	—	9,833	9,833
Profit for the year	—	1,123	1,123
Total comprehensive income for the year	—	1,123	1,123
At 31 December 2016 and 1 January 2017	—	10,956	10,956
Profit for the year	—	1,639	1,639
Total comprehensive income for the year	—	1,639	1,639
At 31 December 2017	—	12,595	12,595

Consolidated Statements of Cash Flows

	Year ended 31 December		
	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
Cash flows from operating activities			
(Loss)/profit before taxation	(403)	1,123	1,639
Adjustments for:			
Deprecation of property, plant and equipment	732	649	477
Gain of disposal of property, plant and equipment	—	(1)	—
Loss on written off of property, plant and equipment	206	—	29
Change in biological assets less cost to sell	(9)	(38)	18
Finance costs	—	—	34
Operating cash flows before movements in working capital	526	1,733	2,197
(Increase)/decrease in inventories	(3,055)	3,161	153
Decrease/(increase) in biological assets	615	(54)	(21)
Decrease/(increase) in trade and other receivables and prepayments	3,738	(212)	(2,327)
(Increase)/decrease in amount due from a related party	(1,700)	(1,096)	120
Decrease in trade and other payables and receipt in advance	(52)	(3,738)	(19)
Increase in amount due to shareholder	3	3	1,003
Decrease in loan from a related party	—	—	(1,000)
Net cash generated from/(used in) operating activities	75	(203)	106
Investing activities			
Purchase of property, plant and equipment	(261)	(46)	(434)
Proceeds from disposal of property, plant and equipment	—	1	—
Net cash used in investing activities	(261)	(45)	(434)

	Year ended 31 December		
	2015	**2016**	**2017**
	US$'000	*US$'000*	*US$'000*
Financing activities			
Proceeds from bank borrowing	—	—	1,072
Repayment of bank borrowing	—	—	(67)
Interest paid	—	—	(34)
Net cash generated from financing activities	—	—	971
Net (decrease)/increase in cash and cash equivalents	(186)	(248)	643
Cash and cash equivalents at beginning of the year	659	473	225
Cash and cash equivalents at end of the year	473	225	868
Analysis of the balances of cash and cash equivalents	473	225	868

B. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in the British Virgin Island on 11 July 2012 with limited liability. The address of the registered office is Corporate Registrations Limited, Sea Meadow House, Blackburne Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands. The principal activity is investment holding. Incredible Riches Limited, Billion Possession Limited, Uppermost Winner Limited and Inner Resources Limited were wholly-owned subsidiaries of the Targeted Company incorporated in the British Virgin Island on 8 July 2013, 29 July 2013, 2 September 2013 and 8 September 2013 respectively with limited liability. The address of the registered office is Corporate Registrations Limited, Sea Meadow House, Blackburne Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands. The principal activity is investment holding. Empresa Agropecuaria Novagro S.A. was incorporated in Bolivia on 24 October 2005 with limited liability. The address of the registered office is Barrio 12 de Octubre, Radial 27, Calle8, Casa No.2 Santa Cruz, Bolivia. The principal activities are agricultural farming, being the cultivation and sale of soybean, corn and rice via operation of the farm.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 New and amendments to HKFRSs affecting amounts reported and/or disclosures in the financial statements

The HKICPA has issued a number of new and revised Hong Kong Accounting Standards ("HKASs"), amendments to HKFRSs and related interpretations (herein collectively referred to as the "new and amendments to HKFRSs") which are effective for the Target Group's financial year beginning on 1 January 2017. For the purpose of preparing and presenting the Financial Information of the Target Group for the Relevant Periods, the Target Group was consistently adopted all these new and amendments to HKFRSs throughout the Relevant Periods.

2.2 New and amendments to HKFRSs in issue but not yet effective

As at the date of this report, the Target Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle[2]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendments)	Prepayment from Contracts with Negative Compensation[2]
HKFRS 10 and HKAS (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC) — Int 22	Foreign Currency Translations and Advance Consideration[1]
HK (IFRIC) — Int 23	Uncertainty over Income Tax Treatment[2]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[2]
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
HKAS 40 (Amendments)	Transfers of Investment Property[1]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for annual periods beginning on or after 1 January 2021 or when apply HKFRS 15 and HKFRS 9.

The Target Group is in the process of making an assessment of the impact of these new and amendments to HKFRSs upon initial application but is not yet in a position to state whether these new and amendments to HKFRSs would have a significant impact on the Historical Financial Information of the Target Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Historical Financial Information of the Target Group has been prepared in accordance with "HKFRSs" (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the relevant accounting periods, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information of the Target Group for the purposes of presenting consolidated financial information.

The Historical Financial Information of the Target Group has been prepared under the cost convention. The Historical Financial Information of the Target Group is presented in United States dollars and all values are rounded to the nearest thousand ("US$'000") except when otherwise indicated.

The Historical Financial Information of the Target Group for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 are presented in thousands of units of the United States dollars ("US$") rounded to the nearest thousand except when otherwise indicated and the functional currency of the Target Group is the US$.

In preparing the Historical Financial Information of the Target Group, the Target Group incurred a net loss of approximately US$403,000 for the year ended 31 December 2015. The Target Group's total current liabilities exceed its total current assets by approximately US$25,755,000, US$24,029,000 and US$22,447,000 for the year ended 31 December 2015, 31 December 2016, and 31 December 2017 respectively. The shareholder of the Target Company has confirmed its intention to provide sufficient financial support to the Target Group and the Target Company so as to enable the Target Group and the Target Company to meet all their liabilities and obligations as and when they fall due and to enable the Target Group and the Target Company to continue their businesses at least twelve months after the end of the years ended 31 December 2017, and to the completion date if the acquisition is completed. The Company has confirmed its intention to provide sufficient financial support to the Target Group and the Target Company so as to enable the Target Group and the Target Company to meet all their liabilities and obligations as and when they fall due and to enable the Target Group and the Target Company to continue their businesses at least twelve months from the completion date of the acquisition if the acquisition is completed. Consequently, the Historical Financial Information of the Target Group has been prepared on a going concern basis.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Target Company and its subsidiaries. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business net of discounts and sales related taxes an includes the following items:

(i) Sales of goods

Sales of goods, which includes agricultural produce, is recognised upon transfer of significant risks and rewards of ownership to the customer. This is usually taken to be the point in time when the goods are delivered and the customer has accepted the goods.

(ii) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(d) Property, plant and equipment

Property, plant and equipment, other than properties under development and construction in progress, are stated at cost less accumulated depreciation and impairment losses.

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method at the following principal annual rates. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Buildings	2.5%
Machinery and equipment	15%
Furniture and fixtures	15%
Motor vehicle	20%

Freehold land is stated at cost less accumulated impairment losses, if any.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(e) Biological assets

Biological assets are stated at fair value less costs to sell, with any resultant gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income. Costs to sell are incremental costs directly attributable to the disposal of an asset excluding financial cost, income tax and costs necessary to get the assets to market.

The agricultural produce is initially measured at fair value less costs to sell at the time of harvest. The fair value of agricultural produce is determined based on market prices in the local market. The fair value less costs to sell at the time of harvest is deemed as the cost of agricultural produce for further processing.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs expected to be incurred to disposal.

(g) Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at "fair value through profit or loss" ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

(i) Financial assets

Financial assets are classified into "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial asset classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, loan receivable from a related company and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

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

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Target Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is as the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

(ii) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by Target Group is classified as either financial liabilities or as equity in according with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Other financial liabilities

Other financial liabilities including trade and other payables are subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing cost ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

(iii) Derecognition

The Target Group derecognises a financial asset only when the contractual rights to receive cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Group neither transfer nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirely, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Target Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(h) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rate that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of profit or loss.

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

(k) Foreign currency

In preparing the financial statements of entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

— exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

— exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

— exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting financial statements, the assets and liabilities of the Target Group's foreign operations are translated into its presentation currency of the Target Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(l) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Group as lessee

Assets held under finance leases are initially recognised as assets of the Target Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Target Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constitutive) as a result of a past event, and it is probable that the Target Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows where the effect of the time value of money is material.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(o) Related parties

A related party is a person or entity that is related to the Target Group that is preparing its financial statements as follows:

(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 the key management personnel of the Target Group or a parent of the Target Group.

(b) An entity is related to the Target Group if any of the following conditions applies:

  (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 employees of either the Target Group or an entity related to the Target Group. If the Target Group is itself such a plan, the sponsoring employers are also 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 the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group which it is a part, provides key management personnel services to the Target Group or the parent of the Target Group.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in Note 3, management of the Target Group 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 underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may 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.

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Target Group's management estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Target Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid.

In considering the impairment losses that may be required for the Target Group's property, plant and equipment, the Target Group has to exercise judgments in determining whether an asset is impaired or the event previously causing the asset impaired no longer exists, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of the asset can be supported by the net present value of the future cash flows which are estimated based upon the continuing use of the asset or disposal; (iii) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions applied by management to determine the level of impairment, including the discount rates and the growth rate assumptions in the cash flow projections, could material affect the net present value result in the impairment test.

Trade and other receivables

The aged debt profile of receivables are reviewed on a regular basis to ensure that the receivables are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Target Group may experience delays in collection. Where recoverability of receivables are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the receivables and past collection history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the statement of profit or loss. Changes in the collectability of receivables for which provisions are not made could affect the results of operations.

Fair value of other financial assets and liabilities

The fair value of loan and receivables, financial assets and financial liabilities are accounted for or disclosed in the consolidated financial statements, the calculation of fair values requires the Target Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the consolidated financial statements.

Fair value of agricultural products

The Target Group's agricultural products are valued at fair value less costs to sell. The fair value of agricultural products is determined based on either the market-determined prices as at the end of the reporting period adjusted with reference to the species, age, growing condition and costs incurred in characteristics and/or stages of growth of the agricultural produce; or the present value of expected net cash flows from the agricultural products discounted at a current market-determined rate, when market-determined prices are unavailable; or the cost when appropriate. Any change in the estimates may affect the fair value of the agricultural products significantly. The independent qualified professional valuer and management review the assumptions and estimates periodically to identify any significant change in the fair value of agricultural products. Details of assumptions used are disclosed in note 16.

5. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Target Group's major financial instruments include trade and other receivables, loan receivable from a related company, cash and cash equivalents, and trade and other payables. Details of these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(b) Categories of financial instruments

	Year ended 31 December		
	2015	**2016**	**2017**
	US$'000	*US$'000*	*US$'000*
Financial assets			
Trade and other receivable	1,002	1,145	3,460
Loan receivable from a related company	1,700	2,796	2,676
Cash and cash equivalents	473	225	868
	3,175	4,166	7,004
Financial Liabilities			
Trade and other payable	5,087	2,927	1,737
Bank Borrowing	—	—	134
Amount due from a shareholder	27,214	27,217	28,220
	32,301	30,144	30,091

(c) Financial risk factors

The Target Group's major financial instruments include trade and other receivables, loan receivable from a related company, cash and cash equivalents, trade and other payables, bank borrowing and amount due to a shareholder. Details of these financial instruments are disclosed in respective notes. Details of these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the Target Group's risk exposure in respect of financial instruments or the manner in which it manages and measures the risks.

The Target Group might be exposed to a variety of financial risks: foreign exchange risk, credit risk and liquidity risk, which result from both its operating and investing activities. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance. The Target Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Target Group.

(i) Foreign exchange risk

The Target Group mainly operates in the Plurinational State of Bolivia (''Bolivia'') and majority of transactions are denominated in the US$. The Target Group is not exposed to foreign exchange risk.

(ii) Credit risk

For the year ended 1 December 2015, 31 December 2016 and 31 December 2017, the Target Group made transactions with counterparties with acceptable credit quality in conformance to the Target Group treasury policies to minimise credit exposure. Acceptable credit ratings from reputable credit rating agencies and scrutiny of financials for non-rated counterparties are two important criteria in the selection of counterparties. The credit quality of counterparties will be closely monitored over the life of the transactions. The Target Group reviews its financial counterparties periodically in order to reduce credit risk concentrations relative to the underlying size and credit strength of each counterparty and ensure that adequate impairment losses are made for irrecoverable amounts.

In an attempt to forestall adverse market movement, the Target Group also monitors potential exposures to each financial institution counterparty.

The Target Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

(iii) Liquidity risk

As at 31 December 2015, 31 December 2016 and 31 December 2017, the Target Group manages liquidity risk by maintaining adequate reserves. The management of the Target Group continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities. The management of the Target Group would obtain banking facilities to support the Target Group's short, medium and long-term funding and liquidity management requirements whenever necessary.

At the end of the reporting period, the Target Group did not have significant exposure to liquidity risk.

The following tables detail the remaining contractual maturity at the end of the reporting period of the Target Group's financial liabilities including trade and other payables, other borrowings (included amount due to shareholder and loan from a related company) and bank borrowing, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on weighted average effective interest rates) and the earliest date the Target Group can be required to pay:

	Weighted average effective interest rate	On demand less than 1 year	Between 1 and 5 years	Over 5 years	Total contractual undiscounted cash flows	Total carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2015						
Non-derivative instruments						
Trade and other payables	—	5,087	—	—	5,087	5,087
Other borrowings	—	27,214	1,000	—	28,214	28,214
		32,301	1,000	—	33,301	33,301

	Weighted average effective interest rate	On demand less than 1 year	Between 1 and 5 years	Over 5 years	Total contractual undiscounted cash flows	Total carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2016						
Non-derivative instruments						
Trade and other payables	—	2,927	—	—	2,927	2,927
Other borrowings	—	27,217	1,000	—	28,217	28,217
		30,144	1,000	—	31,144	31,144

	Weighted average effective interest rate	On demand less than 1 year	Between 1 and 5 years	Over 5 years	Total contractual undiscounted cash flows	Total carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2017						
Non-derivative instruments						
Trade and other payables	—	1,737	—	—	1,737	1,737
Other borrowings	—	28,220	—	—	28,220	28,220
Bank borrowing	—	134	536	335	1,005	1,005
		30,091	536	335	30,962	30,962

As at 31 December 2015, 31 December 2016 and 31 December 2017, the aggregate undiscounted principal amounts of the Target Group's bank and other borrowings amounted to approximately US$28,214,000, US$28,217,000, and US$29,225,000 respectively.

Taking into account the Target Group's financial position, the directors of the Target Company do not consider that it is probable that the bank and other lender will exercise their discretion to demand repayment immediately. The directors of the Target Company believe that such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

6. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The directors of the Target Company actively and regularly review and manage the Target Group's capital structure to maximise the returns to shareholders through the optimisation of the debt afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions. The Target Group's overall strategy remains unchanged since its incorporation.

The capital structure of the Target Group consists of debt (other borrowing), cash and bank balances and equity attributable to owners of the Target Group, comprising issued share capital and reserves.

	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
Bank borrowing	—	—	1,005
Other borrowings	28,214	28,217	28,220
Total debt	28,214	28,217	29,225
Total assets	44,712	42,100	44,728
Gearing ratio	63.10%	67.02%	65.33%

7. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue are analysed as follows:

	Year ended 31 December		
	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
Summer Campaign			
Soybean	4,166	2,673	2,796
Corn	—	—	170
Sorghum	—	—	26
Rice	579	507	630
	4,745	3,180	3,622
Winter Campaign			
Soybean	—	6,746	4,839
Wheat	141	—	—
Rice	—	4	—
Corn	—	76	23
Sorghum	—	224	—
	141	7,050	4,862
Total revenue	4,886	10,230	8,484

(b) Segment information

The Target Group's operation is solely derived from the planting and sales of corps in Bolivia during the Relevant Periods. For the purpose of resources allocation and performance assessment, the Target Group's management focuses on the operating results of the Target Group as a whole as the Target Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, the Target Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Target Group's operations and all of its non-current assets are located in Bolivia.

8. OTHER INCOME

	Year ended 31 December		
	2015	**2016**	**2017**
	US$'000	*US$'000*	*US$'000*
Gain on sale of property plant and equipment	—	1	—
Sundry income	20	6	30
	20	7	30

9. FINANCE COSTS

	Year ended 31 December		
	2015	**2016**	**2017**
	US$'000	*US$'000*	*US$'000*
Interest expense	—	—	34

10. (LOSS)/PROFIT FOR THE YEAR

	Year ended 31 December		
	2015	**2016**	**2017**
	US$'000	*US$'000*	*US$'000*
Auditors' remuneration	122	103	122
Total staff costs including directors remuneration			
Salaries and other benefits	198	350	333
Total staff costs	198	350	333
Loss on written off of plant, property and equipment	206	—	29
Depreciation of property, plant and equipment	732	649	477

11. DIRECTORS', SENIOR MANAGEMENTS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the Relevant Periods, the remuneration paid or payable to the Director was as follows:

For the year ended 31 December 2015:

	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Social Securities	Total
	USD$'000	*USD$'000*	*USD$'000*	*USD$'000*	*USD$'000*
Mr. Jiang Zhaobai *(Note (i))*	—	—	—	—	—
Mr. Carlos Kempff *(Note (ii))*	—	—	—	—	—
Mr. Wenzhi Zeng *(Note (iii))*	—	46	11	8	65
Total	—	46	11	8	65

For the year ended 31 December 2016:

	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Social Securities	Total
	USD$'000	*USD$'000*	*USD$'000*	*USD$'000*	*USD$'000*
Mr. Jiang Zhaobai *(Note (i))*	—	—	—	—	—
Mr. Carlos Kempff *(Note (ii))*	—	—	—	—	—
Mr. Wenzhi Zeng *(Note (iii))*	—	50	13	8	71
Total	—	50	13	8	71

For the year ended 31 December 2017:

	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Social Securities	Total
	USD$'000	*USD$'000*	*USD$'000*	*USD$'000*	*USD$'000*
Mr. Jiang Zhaobai *(Note (i))*	—	—	—	—	—
Mr. Carlos Kempff *(Note (ii))*	—	—	—	—	—
Mr. Wenzhi Zeng *(Note (iii))*	—	67	17	11	95
Total	—	67	17	11	95

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. None of the directors or chief executive officer has waived or has agreed to waive any emoluments for the Relevant Periods.

Notes:

(i) Mr. Jiang Zhaobai was appointed as director of the Target Company with effect from 29 December 2015 and resigned on 4 October 2017.

(ii) Mr. Carlos Kempff was appointed as director of the Target Company and its subsidiary with effect from 4 October 2017 and 16 January 2017 respectively.

(iii) Mr. Wenzhi Zeng was appointed as director of the Target Company's subsidiary with effect from 16 September 2012.

(b) Senior management's emoluments and five highest paid employees

During the Relevant Periods, one of the five highest paid individuals is director of the Target Group. The aggregate amounts of emoluments of the remaining four highest paid individuals who are non-directors for the Relevant Periods are as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	US$'000	*US$'000*	*US$'000*
Salaries and other allowance	134	117	173
Retirement benefits scheme contribution	56	49	72
	190	166	245

Their emoluments were within the following bands:

	Number of individuals Year ended 31 December		
	2015	**2016**	**2017**
US$Nil to US$128,205 (equivalent to approximately HK$1,000,000)	4	4	4

None of the senior management or the five highest paid individuals has waived or has agreed to waive any emoluments for the Relevant Periods.

12. TAXATION

	Year ended 31 December		
	2015	**2016**	**2017**
	US$'000	*US$'000*	*US$'000*
The charge comprises:			
Current tax			
The Bolivia Corporate tax	—	—	—

The Bolivia Corporate Tax

The corporate tax rate applicable to the subsidiary which is operating in Bolivia is 25% during the Relevant Periods. No Bolivia Corporate Tax was recognised as the assessable profit of the subsidiary in Bolivia for the Relevant Periods were wholly absorbed by tax losses brought forward.

Reconciliation between tax expenses and accounting profit at applicable tax rates

A reconciliation of the tax expenses applicable to loss before tax at the applicable rates for the countries in which the Target Group are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	US$'000	*US$'000*	*US$'000*
(Loss)/profit before taxation	(403)	1,123	1,639
Tax calculated at the domestic rates applicable in the country concerned	(101)	281	410
Tax effect of expenses not deductible for tax purpose	183	162	124
Tax effect of income not taxable for tax purpose	(2)	(10)	—
Tax effect of utilisation of estimated tax losses previously not recognised	(80)	(433)	(534)
Tax charge for the year	—	—	—

13. DIVIDEND

The Directors do not recommend any payment of dividend during the Relevant Periods.

14. (LOSS)/EARNINGS PER SHARE

No (loss)/earnings per share information is presented as it is not considered as meaningful for the purpose of this report.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Machinery and equipment	Furniture and fixtures	Motor Vehicle	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Costs						
At 1 January 2015	32,545	222	4,916	757	365	38,805
Additions	—	—	182	48	31	261
Written off	—	—	(541)	—	(55)	(596)
At 31 December 2015 And 1 January 2016	32,545	222	4,557	805	341	38,470
Additions	—	—	25	21	—	46
Disposal	—	—	—	—	(7)	(7)
At 31 December 2016 And 1 January 2017	32,545	222	4,582	826	334	38,509
Additions	—	—	225	52	157	434
Written off	—	—	—	—	(147)	(147)
At 31 December 2017	32,545	222	4,807	878	344	38,796
Accumulated depreciation And impairment						
At 1 January 2015	—	(15)	(1,004)	(351)	(170)	(1,540)
Charge for the year	—	(7)	(610)	(38)	(77)	(732)
Written off	—	—	335	—	55	390
At 31 December 2015 And 1 January 2016	—	(22)	(1,279)	(389)	(192)	(1,882)
Charge for the year	—	(7)	(545)	(30)	(67)	(649)
Disposal	—	—	—	—	7	7
At 31 December 2016 And 1 January 2017	—	(29)	(1,824)	(419)	(252)	(2,524)
Charge for the year	—	(7)	(381)	(26)	(63)	(477)
Written off	—	—	—	—	118	118
At 31 December 2017	—	(36)	(2,205)	(445)	(197)	(2,883)
Carrying amounts:						
At 31 December 2015	32,545	200	3,278	416	149	36,588
At 31 December 2016	32,545	193	2,758	407	82	35,985
At 31 December 2017	32,545	186	2,602	433	147	35,913

16. BIOLOGICAL ASSETS

Movements in biological assets were as follows:

(i) Soybean

	2015 *US$'000*	2016 *US$'000*	2017 *US$'000*
At the beginning of the year	1,027	541	452
Increase due to plantation	3,232	2,318	2,478
Decrease due to harvest	(3,722)	—	—
Decrease due to sales	—	(2,438)	(2,379)
Gain/(loss) arising from changes in fair value less cost to sell	4	31	(6)
At the end of the year	541	452	545

(ii) Corn

	2015 *US$'000*	2016 *US$'000*	2017 *US$'000*
At the beginning of the year	—	—	128
Increase due to plantation	—	161	63
Decrease due to sales	—	(33)	(191)
At the end of the year	—	128	—

(iii) Rice

	2015 *US$'000*	2016 *US$'000*	2017 *US$'000*
At the beginning of the year	164	56	88
Increase due to plantation	421	394	573
Decrease due to sales	(534)	(369)	(502)
Gain/(loss) arising from changes in fair value less cost to sell	5	7	(12)
At the end of the year	56	88	147

(iv) Sorghum

	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
At the beginning of the year	12	—	21
Increase due to plantation	—	111	29
Decrease due to harvest	(12)	—	—
Decrease due to sales	—	(90)	(50)
At the end of the year	—	21	—

17. INVENTORIES

	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
Others	526	1,034	960
Finished goods	3,734	—	—
Raw material	50	115	36
	4,310	1,149	996

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
Trade receivables	373	625	2,276
Other receivables	629	520	1,184
Prepayments	42	111	123
	1,044	1,256	3,583

The Target Group allows an average credit period of one year to its trade customers. The following is an aging analysis of trade receivables, based on invoice date:

	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
0 to 30 days	102	254	2,068
31 to 180 days	150	167	—
181 to 365 days	121	204	208
	373	625	2,276

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

19. AMOUNT DUE FROM RELATED PARTIES

Details of amount due from related parties disclosed as follows:

	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
Sociedad Agropecuaria Agrotanto S.A	1,700	2,796	2,176
EverChina Int'l Holdings Company Limited	—	—	500
	1,700	2,796	2,676
Maximum amount outstanding during the Relevant Period	1,700	2,796	3,296

The amount due from related parties was unsecured, interest free and no fixed repayment date.

20. CASH AND CASH EQUIVALENTS

As at 31 December 2015, 31 December 2016 and 31 December 2017, the cash and bank balances of the Target Group denominated in USD amounted to approximately USD$473,000, USD$225,000 and USD$868,000 respectively.

Bank balances are deposits with creditworthy banks with no recent history of default.

21. TRADE AND OTHER PAYABLES AND RECEIPT IN ADVANCE

	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
Trade payables	3,473	1,512	1,079
Other payables	1,614	1,415	658
Receipt in advance	1,578	—	1,171
	6,665	2,927	2,908

22. LOAN FROM A RELATED COMPANY

	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
Shanghai Pengxin Group Company Limited	1,000	1,000	—

The loan from a related company was unsecured. The term of the loan is for a period of two years, interest free and repayable on demand and without any collateral.

23. BANK BORROWING

	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
Bank borrowing *(note)*	—	—	1,005
Carrying amount repayable within one year	—	—	134
Carrying amount that is not repayable within one year	—	—	871
	—	—	1,005

Note: The bank borrowing is repayable on agreed repayment schedule by instalments over a period of 8 years bearing interest rate of 6.0% per annum and secured by a portion of land of the Target Group.

24. AMOUNT DUE TO A SHAREHOLDER

	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
Mr. Jiang Zhaobai	27,214	27,217	28,220

Note: The amount due to shareholder was unsecured, interest free and repayable on demand.

25. SHARE CAPITAL

	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
Issued and fully paid: 100 ordinary shares of US$1 each	—	—	—

26. PARTICULAR OF SUBSIDIARIES

General information of subsidiaries

Particulars of the Company's principal subsidiary as at 31 December 2015, 31 December 2016 and 31 December 2017 are set out below:

Name of subsidiary	Place of incorporation/ registration and operation	Registered paid up capital	Proportion of equity interest and voting power held by the Company						Principal activities
			Directly			Indirectly			
			2015	2016	2017	2015	2016	2017	
Incredible Riches Limited	British Virgin Island	USD100	100%	100%	100%	—	—	—	investing holding
Billion Possession Limited	British Virgin Island	USD100	100%	100%	100%	—	—	—	investing holding
Inner Resources Limited	British Virgin Island	USD100	100%	100%	100%	—	—	—	investing holding
Uppermost Winner Limited	British Virgin Island	USD100	100%	100%	100%	—	—	—	investing holding
Empresa Agropecuaria Novagro S.A.	Bolivia	USD1,327,371	100%	100%	100%	—	—	—	agricultural farming

Empresa Agropecuaria Novagro S.A

	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
Current assets	8,176	6,261	8,960
Non-current assets	36,588	35,985	35,913
Current liabilities	(6,665)	(2,927)	(3,542)
Non-current liabilities	(1,000)	(1,000)	(1,371)
	37,099	38,319	39,960
Revenue	4,886	10,230	8,484
Expenses	(5,288)	(9,011)	(6,842)
(Loss)/profit for the year	(402)	1,219	1,642
Net cash generated from/(used in) operating activities	75	(203)	106
Net cash used in investing activities	(261)	(45)	(434)
Net cash generated from financing activities	—	—	971
Net (decrease)/increase in cash and cash equivalents	(186)	(248)	643

27. COMMITMENT

Operating lease commitments

The Target Group as lessee

At the end of each reporting period, the Target Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2015	2016	2017
	US$'000	*US$'000*	*US$'000*
Within one year	7	7	13
In the second to fifth year inclusive	—	—	7
	7	7	20

Operating lease payments represent rentals payable by the Target Group for its office properties with lease terms renewed annually.

28. MATERIAL RELATED PARTIES TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information of the Target Group, the Target Group has entered into the following material transactions with related parties, which in the opinion of the Directors, were conducted under commercial terms and in the normal course of the Target Group's business.

(a) Balance with related parties:

Details of balance with related parties at the end of each reporting period is set out in notes 19, 22 and 24.

(b) Key management personnel

Remuneration for key personnel management, including amounts paid to the directors of the Company and certain of the highest paid employees were disclosed in note 11 to the Historical Financial Information of the Target Group.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Group in respect of any period subsequent to 31 December 2017 and up to the date of this report.

Set out below is the management discussion and analysis of Pengxin Agricultural Group for the year ended 31 December 2015, 2016 and 2017, which should be read in conjunction with the accountant's report of Pengxin Agricultural Group set out in Appendix II to this circular.

REVIEW OF FINANCIAL RESULTS AND BUSINESS PERFORMANCE

Pengxin Agricultural was incorporated in 2012 under the laws of the BVI for investment holding purpose and is the ultimate holding company of the Bolivian Company. As at the Latest Practicable Date, Pengxin Agricultural held 100% of the 4 BVI companies and 20% of the Bolivia Company, and the 4 BVI companies in aggregate owned 79.9% of the Bolivian Company. Therefore, Pengxin Agricultural in turn held 99.9% of the Bolivian Company as at the Latest Practicable Date. The financial results, assets and liabilities of Pengxin Agricultural Group are prepared on a consolidated basis and please refer to the Appendix II to this circular for the full text of the consolidated financial information of Pengxin Agricultural Group. Upon Completion, Pengxin Agricultural will become a direct wholly-owned subsidiary of the Company. Pengxin Agricultural Group is principally engaged in production, processing, sale storage and export of grains and other agricultural products as well as related services such as fumigation, harvest, planting, storage, transportation etc.

Pengxin Agricultural Group conducts its business operations through the Bolivian Company. The Bolivian Company's main activities are carried out in a rural estate with approximately 12,400 hectares located in Obispo Santisteban Province, Santa Cruz, Bolivia which is suitable for producing soybean, corn, sorghum, rice, sugar cane, sesame and cotton. The largest cultivated area corresponds to soybean which is planted in 2015, 2016 and 2017.

Revenue

The following table sets forth a breakdown of Pengxin Agricultural Group's revenue by crops during the period under review:

	2015	**2016**	**2017**
	US$'000	*US$'000*	*US$'000*
Soybean	4,166	9,419	7,635
Other (Rice, corn, beans, wheat and sorghum)	720	811	849
	4,886	10,230	8,484

Soybean is the major crop during the period under review. Revenue significantly increased by approximately 109% from US$4,886,000 in 2015 to US$10,230,000 in 2016, mainly due to approximately 13,000 MT of soybean harvested in 2015 was sold in 2016 which contributed revenue of approximately US$9,419,000 in 2016. In fact, the total harvest of soybean in 2016 decreased by approximately 26% from approximately 27,000 MT in 2015 to approximately 20,000 MT in 2016. The decrease was mainly affected by the unstable weather condition. The rain falling in the producing areas was uneven, with prolonged periods of drought and excess rainfall which provoked a decrease in yields in 2016. Due to the stable weather condition during the year, the total harvest of soybean in 2017 increased by approximately 30% to 26,000 MT as compared to 2016. Revenue contributed by sale of soybean amounted to approximately US$7,635,000.

The Directors are aware that in general, harvest in agricultural business might be affected by weather conditions, which in turn might affect revenue. When considering to enter into the Sale and Purchase Agreement in June 2017, the Directors had taken into account the average harvest-to-revenue ratio for the 5 years ended in 31 December 2017, and noticed the annual fluctuation was within 10% to or over such average ratio, which is in line with business of similar type.

Set out below is comparison between harvest and revenue:

	2013	2014	2015	2016	2017
Harvest (tonnes)					
Soy bean	24,000	23,200	27,500	19,900	25,600
Other crops	7,800	2,800	2,500	1,800	3,000
Total	31,800	26,000	30,000	21,700	28,600
Revenue (US$)	9,628,000	8,976,000	8,646,000	6,470,000	8,484,000
Harvest-revenue ratio	0.33%	0.29%	0.35%	0.34%	0.34%

Upon Completion, the Group will adopt appropriate risk management strategies (if necessary) to minimise the impact caused by the unexpected weather conditions.

Gross Profit Margin

The following table set forth a breakdown of Pengxin Agricultural Group's gross profit margin during the period under review:

	2015	2016	2017
	%	%	%
Gross profit margin	20.2	24.2	33.4

The gross profit margin increased from approximately 20.2% in 2015 to 24.2% in 2016 and then further increased to 33.4% in 2017 primarily due to the increase in the average selling price of soybean from approximately US$287/MT for the year ended 31 December 2016 to approximately US$298/MT for the year ended 31 December 2017.

Other income

Other income mainly consisted of income from sales of self-raising cattle and gain on disposal of unused property, plant and equipment during the period under review. It decreased from approximately US$20,000 in 2015 to approximately US$7,000 in 2016 and then increased to approximately US$30,000 in 2017.

Administrative Expenses

The administrative expenses primarily consisted of (i) salaries and wages, (ii) taxes and licenses, (iii) utilities, maintenance fee and office expenses; (iv) employee benefits, (v) depreciation and amortisation; and (vi) other expenses. It maintained at a stable level of approximately US$1,417,000 in 2015 and approximately US$1,400,000 in 2016 and then increased to approximately US$1,176,000 mainly due to decrease in depreciation and amortisation and loss on written off of property, plant and equipment, and the ratio of the administrative expenses to revenue was 29.0%, 13.7%, and 13.9%, respectively.

Finance costs

Finance costs represented interest on financial activities. Pengxin Agricultural Group's finance expenses were approximately US$Nil, US$Nil and US$34,000, respectively for each of the three years ended 31 December 2017.

Income tax expenses

The income tax expenses mainly represented the Bolivia corporate income tax provided for at the rate of 25% on assessable profit in Bolivia. No income tax expense was recorded in 2015, 2016 and 2017 primarily due to it has no assessable profits for the each of the three years ended 31 December 2017.

(Loss)/profit after income tax for the years

As a result of the discussion above, Pengxin Agricultural Group recorded loss for the year ended 31 December 2015 of approximately US$403,000, but profits for the years ended 31 December 2016 and 2017 of approximately US$1,123,000 and US$1,639,000, respectively.

Financial Position

As at 31 December 2015

The non-current assets and current assets of Pengxin Agricultural Group as at 31 December 2015 were approximately US$36,588,000 and US$8,124,000, respectively. Pengxin Agricultural Group's non-current assets as at 31 December 2015 mainly comprised property, plant and equipment, and the current assets as at 31 December 2015 mainly comprised inventories, biological assets, trade and other receivables and prepayments, cash and bank balance and amount due from related party.

The non-current liabilities and current liabilities of Pengxin Agricultural Group as at 31 December 2015 were approximately US$1,000,000 and US$33,879,000, respectively. Pengxin Agricultural Group's non-current liabilities as at 31 December 2015 mainly comprised loan due to a related company, and the current liabilities as at 31 December 2015 mainly comprised trade and other payables and receipt in advance, and amount due to a shareholder.

As at 31 December 2016

The non-current assets and current assets of Pengxin Agricultural Group as at 31 December 2016 were approximately US$35,985,000 and US$6,115,000, respectively. Pengxin Agricultural Group's non-current assets as at 31 December 2016 mainly comprised property, plant and equipment, and the current assets as at 31 December 2016 mainly comprised inventories, biological assets, trade and other receivables and prepayments, cash and bank balance and amount due from related party.

The non-current liabilities and current liabilities of Pengxin Agricultural Group as at 31 December 2016 were approximately US$1,000,000 and US$30,144,000, respectively. Pengxin Agricultural Group's non-current liabilities as at 31 December 2016 mainly comprised loan due to a related company, and the current liabilities as at 31 December 2016 mainly comprised trade and other payables and amount due to a shareholder.

As at 31 December 2017

The non-current assets and current assets of Pengxin Agricultural Group as at 31 December 2017 were approximately US$35,913,000 and US$8,815,000, respectively. Pengxin Agricultural Group's non-current assets as at 31 December 2017 mainly comprised property, plant and equipment and the current assets as at 31 December 2017 mainly comprised inventories, biological assets, trade and other receivables and prepayments, cash and bank balance and amount due from related party.

The non-current liabilities and current liabilities of Pengxin Agricultural Group as at 31 December 2017 were approximately US$871,000 and US$31,262,000, respectively. Pengxin Agricultural Group's non-current liabilities as at 31 December 2017 mainly represented long term portion of bank borrowing, and the current liabilities as at 31 December 2017 mainly comprised short term portion of bank borrowing of US$134,000, trade and other payables and receipt in advance, and amount due to a shareholder.

BUSINESS PROSPECTS

Pengxin Agricultural Group's has been engaged in production, processing, sale storage and export of grains and other agricultural products as well as related services such as fumigation, harvest, planting, storage, transportation etc in Bolivia. Completion would not have any significant impact to the daily operation and administration of Pengxin Agricultural Group. Pengxin Agricultural Group will continue to be operated and managed by the existing management team, and to develop the business with a profitable outcome and positive cash flow.

LIQUIDITY AND FINANCIAL RESOURCES

Pengxin Agricultural Group mainly financed its operations and capital expenditure by cash generated from its operations and borrowings.

Borrowings and collateral

The total amount of borrowing (including bank loans and amounts due to related parties) of Pengxin Agricultural Group as at 31 December 2015, 2016 and 2017, was US$1,000,000, US$1,000,000 and US$1,005,000, respectively. The breakdown of the borrowings is as follows:

	As of 31 December		
	2015	**2016**	**2017**
	US$'000	*US$'000*	*US$'000*
Current			
Secured bank loan *(Note 1)*	—	—	134
Non-Current			
Secured bank loans *(Note 1)*	—	—	871
Unsecured other borrowings *(Note 2)*	1,000	1,000	—
	1,000	1,000	1,005

Note 1: Pengxin Agricultural Group did not have any secured bank loan as at 31 December 2015 and 2016. As at 31 December 2017, the secured bank loan of approximately US$1,005,000 were interest-bearing at the rate of 6% per annum for a period of eight years with maturity date on 20 June 2025. It was secured by the pledge of the land owned by Pengxin Agricultural Group with carrying value of US$773,000 as at 31 December 2017.

Note 2: As at 31 December 2015 and 2016, the unsecured other borrowings were payable to Shanghai Pengxin Group Co Ltd, a company of which is owned as to 99% by Mr. Jiang and as to 1% by Mr. Jiang Lei, the brother of Mr. Jiang. It was interest free and repayable on demand.

Note 3: Pengxin Agricultural Group did not have the seasonality of borrowing requirements for the years ended 31 December 2015, 2016 and 2017 respectively.

Cash and cash equivalents, current assets and non-current assets

As at 31 December, 2017, Pengxin Agricultural Group had cash and cash equivalents of US$868,000, all of which were denominated in US$. As at 31 December, 2017, Pengxin Agricultural Group had current assets of US$8,815,000 and net current assets (excluding the amount of approximately US$28,220,000 due to shareholder) of US$5,773,000.

As at 31 December, 2017, Pengxin Agricultural Group had non-current assets of US$35,913,000, which mainly included (i) plant, property and equipment that comprised of the land and building amounted to approximately US$32,731,000, machinery and equipment of approximately US$2,602,000; furniture and equipment of approximately US$433,000; and vehicles of approximately US$147,000.

Treasury and funding policies

For the years ended 31 December 2015, 2016 and 2017, Pengxin Agricultural Group usually financed its working capital through internal funds and bank borrowings. To manage liquidity risk, the management of Pengxin Agricultural Group closely monitored the liquidity position to ensure that the liquidity structure of Pengxin Agricultural Group's asset, liabilities and commitments can meet its funding requirements. The tools used by Pengxin Agricultural Group for measurement, management and mitigation of liquidity risk included: (i) contractual maturity analysis and cash flow projection; (ii) setting internal limits including a minimum amount of highly liquid assets to cover short-term obligations and maturity mismatch limits (gap limits), and (iii) regular overview of limits on overall funding volume subject to current and projected liquidity levels; and (iv) development of emergency plans.

Charge on assets

As at 31 December 2015 and 2016, none of Pengxin Agricultural Group's assets were charged. As at 31 December 2017, Pengxin Agricultural Group's land with carrying amount of US$773,000 was charged as security for its liabilities.

Foreign exchange risk

Pengxin Agricultural Group operates mainly in Bolivia. All transactions are principally conducted in United States Dollars and the assets and liabilities are all denominated in United States Dollars. Therefore, it is not exposed to material foreign exchange risk.

Gearing ratios

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and long-term borrowings) less restricted cash and cash and cash equivalent. Total capital is calculated as total equity plus net debt.

As at 31 December 2015, 2016 and 2017, the gearing ratios of Pengxin Agricultural Group were 10%, 9%, and 7%, respectively.

Material acquisition and disposal

Pengxin Agricultural Group did not have any material acquisition and disposal of subsidiaries and associated companies during the years ended 31 December 2015 and 2016 and 2017.

Significant investments held and their performance

As at 31 December 2015 and 2016 and 2017, Pengxin Agricultural Group did not hold any investment.

Employees

As at 31 December 2015 and 2016 and 2017, the number of employees in Pengxin Agricultural Group was approximately 73, 63 and 58, respectively.

The staff costs of Pengxin Agricultural Group for the year ended 31 December 2015, 2016 and 2017 were approximately US$198,000, US$350,000 and US$333,000, respectively.

Pengxin Agricultural Group adopts a remuneration policy with equal emphasis on the market-competitiveness of the remuneration and fairness among the employees. The remuneration includes basic salary payments, bonus, contributions to social insurance scheme and necessary training.

The following is an unaudited pro forma financial information of the Enlarged Group (the ''Unaudited Pro Forma Financial Information'') prepared by the directors of the Company to illustrate the financial position of the Enlarged Group as at 30 September 2017 as if the acquisition had taken place on 30 September 2017. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it does not purport to represent the true picture of the financial position of the Enlarged Group as at 30 September 2017 or at any future date had the Acquisition taken place on 30 September 2017. Capitalised terms used herein have the same meaning as those define in this circular unless the context otherwise requires.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 September 2017 extracted from the 2017 interim report of the Company, and the audited consolidated statement of financial position of the Target Group as at 31 December 2017 as set out in Appendix II to this circular after giving effect to the pro forma adjustments described in the accompanying notes and is prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 30 September 2017	The Target Group as at 31 December 2017	Pro forma adjustment	Pro forma adjustment	The Enlarged Group as at 30 September 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)			(Unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Investment properties	1,295,922	—			1,295,922
Property, plant and equipment	554,054	280,657	166,497		1,001,208
Mining rights	271,880	—			271,880
Goodwill	91,454	—	219,192		310,646
	2,213,310	280,657			2,879,656
Current assets					
Inventories	8	7,784			7,792
Biological assets	2,789	5,408			8,197
Trade and other receivables and prepayments	658,053	28,001	(195,000)		491,054
Amount due from related party	—	20,913			20,913
Loan receivables	93,266	—			93,266
Financial assets at fair value through profit and loss	1,390,898	—			1,390,898
Tax recoverable	252	—			252
Cash and cash equivalents	281,809	6,783	(163,800)	(3,000)	121,792
	2,427,075	68,889			2,134,164
Total assets	4,640,385	349,546			5,013,820
Capital and reserves					
Share capital	2,490,454	—			2,490,454
Reserves	694,966	98,429	(98,429)	(3,000)	691,966
	3,185,420	98,429			3,182,420
Non-controlling interests	42,717	—			42,717
Total equity	3,228,137	98,429			3,225,137

	The Group as at 30 September 2017	The Target Group as at 31 December 2017	Pro forma adjustment	Pro forma adjustment	The Enlarged Group as at 30 September 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)			(Unaudited)
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current liabilities					
Deferred tax liabilities	101,104	—	41,624		142,728
Bank borrowing	—	6,807			6,807
	101,104	6,807			149,535
Current liabilities					
Trade and other payables and receipt in advance	136,478	22,726	83,694		242,898
Amount due to shareholder	—	220,537			220,537
Tax payable	107,033	—			107,033
Bank borrowings	3,540	1,047			4,587
Other borrowings	1,064,093	—			1,064,093
	1,311,144	244,310			1,639,148
Total liabilities	1,412,248	251,117			1,788,683
Total equity and liabilities	4,640,385	349,546			5,013,820
Net current assets/(liabilities)	1,115,931	(175,421)			495,016
Total assets less current liabilities	3,329,241	105,236			3,374,672

Notes to the Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

1. The balances are extracted from the unaudited consolidated statement of financial position of the Group as at 30 September 2017, as set out in the published interim report of the Company for the six months ended 30 September 2017.

2. The figures of the Target Group are extracted from the accountants' reports as set out in Appendix II of the Circular and converted from US$ to Hong Kong Dollars ("HK$") at a rate of US$1:HK$7.81.

3. The pro forma adjustment represents provisional purchase price allocation arising from the Acquisition as if the Acquisition is completed on 30 September 2017:

	HK$'000
Consideration	442,494
Less: Identifiable net assets of the Target Group as at 31 December 2017	(98,429)
Less: Fair value change on land	(166,497)
Add: Deferred tax liabilities arising from fair value change on land	41,624
Goodwill	219,192

Pursuant to the Sale and Purchase Agreement, consideration of approximately HK$442,494,000 comprised of (i) deposit of approximately HK$ 195,000,000 paid by the Group upon signing the Sale and Purchase Agreement; (ii) balance of approximately HK$ 163,800,000 is paid upon completion of the Acquisition; and (iii) balance of approximately HK$83,694,000 is payable when the legal title and ownership for each plot of land are obtained, assuming the Acquisition had taken place on 30 September 2017 and the legal title and ownership for each plot of land has been obtained by the Group.

The net identifiable assets of the Target Group as at 31 December 2017 amounted to approximately HK$98,429,000, which was determined by total assets of the Target Group amounted to approximately HK$349,546,000 less total liabilities of the Target Group amounted to approximately HK$251,117,000 as shown in the Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group.

The fair value change on land amounted to approximately HK$166,497,000 was recognised by the difference between the fair value of land amounted to approximately HK$420,833,000 (equivalent to approximately US$53,850,000 as at 29 March 2018 as disclosed in Appendix V) and the carrying amount of land amounted to approximately HK$254,336,000 as at 31 December 2017, assuming that the Acquisition was completed on 30 September 2017.

The deferred tax liabilities amounted to approximately HK$41,624,000 is determined at 25% Bolivia Corporate Tax rate on the fair value change on land amounted to approximately HK$166,497,000.

For the purposes of impairment testing, the Company has taken steps on the assessment of impairment performed in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets", which is consistent with the accounting policy of the Company.

In accordance with HKAS 36, the recoverable amounts of cash generating unit ("CGU") are determined from value-in-use calculations which the value-in-use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. The directors of the Company had assessed the recoverable amount of the CGU by reference to its value-in-use and considered that no impairment loss should be recognised as the recoverable amount of the CGU are greater than its carrying amount. The calculation uses cash flow projections based on financial budgets approved by directors of the Company covering a five-year period. Cash flows beyond the five year period are extrapolated using the estimated growth rate, which does not exceed the projected long term average growth rate. The directors of the Company estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the CGU. The projected growth rate are based on past performance and its expectations for the development of the market. The directors of the Company confirm that the Company will adopt consistent accounting policies, valuation method and principal assumptions as used in the Unaudited Pro Forma Financial Information to perform impairment test on the Enlarged Group's other intangible assets in the future financial period end.

The actual fair value of the identifiable assets and liabilities of the Target Group at the actual completion date may be different from the estimated fair value used in the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group. Accordingly, the actual amount of goodwill to be recognised may be different from the amount as shown in the Unaudited Pro Forma Financial Information of the Enlarged Group.

4. The pro forma adjustment represents the estimated professional fees and expenses directly attributable to the Acquisition amounting to approximately HK$3,000,000.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

28 June 2018

The Board of Directors
EverChina Int'l Holdings Company Limited
Suites 601–603, 6/F.,
Everbright Centre,
108 Gloucester Road,
Wanchai
HONG KONG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

To the directors of EverChina Int'l Holdings Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of EverChina Int'l Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated financial position as at 30 September 2017 and related notes as set out on page IV-1 to IV-4 of the circular issued by the Company dated 28 June 2018 (the "Circular"). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described on page IV-1 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 Pengxin Agricultural Holdings Company Limited and its subsidiaries (the "Target Group") (the "Transactions") as at 30 September 2017 as if the event or transaction had been taken place at 30 September 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's unaudited condensed consolidated statement of financial position for the six months ended 30 September 2017 which was published on 29 November 2017.

Directors' responsibility for the unaudited pro forma financial information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 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 behaviour.

The firm applies Hong Kong Standard on Quality Control 1 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 accountants' responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 event or transaction at 30 September 2017 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 pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the 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 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.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hon Koon Fai, Alex
Practising Certificate Number: P05029
Hong Kong

The following is the text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this Circular received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interest to be acquired by EverChina Int'l Holdings Company Limited as at 29 March 2018.

CUSHMAN & WAKEFIELD
戴德梁行

16/F
Jardine House
1 Connaught Place
Central
Hong Kong

28 June 2018

The Directors
EverChina Int'l Holdings Company Limited
Suites 601–603, 6/F
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

Instructions, Purpose & Valuation Date

In accordance with your instructions for us to value the property interest in the Plurinational State of Bolivia held by Empresa Agropecuaria Novagro S.A., a subsidiary of Pengxin Agricultural Holdings Co. Ltd. which is to be acquired by EverChina Int'l Holdings Company Limited (referred to as the "Company") and its subsidiaries (together referred to as the "Group"), we confirm that we have inspected the property, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of such property interest as at 29 March 2018.

Definition of Market Value

Our valuation of the property represents its Market Value. The definition of Market Value adopted in The HKIS Valuation Standards 2017 Edition follows the International Valuation Standards published by the International Valuation Standards Council ("IVSC"). Market Value is defined by the IVSC as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Our valuation of the property is on an entirety interest basis.

Valuation Basis and Assumptions

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited, The Codes on Takeovers and Mergers issued by the Securities and Futures Commission and The HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors.

Our valuation excludes any estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the property but have assumed that the site areas shown on the documents and/or official plans handed to us by the Group are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Method of Valuation

We have valued the property interest by Market Comparison Method assuming sale of the property in its existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as well as asking references as available in the relevant market.

Sources of Information

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group regarding the title to the property. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, identification of the property and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

Title Investigation

We have, in some instances, investigated the titles of the property through the public records from the Real Estate Offices of Bolivia relating to the property rights in the Plurinational State of Bolivia, and have made relevant enquiries. However, we have not searched the original documents to verify the existing title to the property interest and any material encumbrances that might be attached to the property or any lease amendments which may not appear on the copies handed to us. We have relied considerably on the advice given by the Group's legal adviser — C.R&F. Rojas Abogados, concerning the validity of the titles of the property interest in the Plurinational State of Bolivia.

Site Inspection

We have inspected the exterior and, whenever possible, the interior of the property on 6 February 2018. However, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the property and we have assumed that the area shown on the documents handed to us are correct.

Other Disclosure

We hereby confirm that Cushman & Wakefield Limited and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Intended Use and User of Report

This valuation report is issued for the use of the Group for public disclosure purpose in relation to a major and connected transaction only.

Currency

Unless otherwise stated, all monetary sums stated in this report are in United State Dollars (“USD”). The exchange rate adopted in our valuation is approximately United States Dollars USD1 = HKD7.85 which was approximately the prevailing exchange rate as at the valuation date.

We enclose herewith a summary of our valuation and our valuation report.

Yours faithfully,
for and on behalf of
Cushman & Wakefield Limited
Andrew K.F. Chan
MSC, MRICS, MHKIS, MCIREA, RPS (GP)
Regional Director
Valuation & Advisory Services, Greater China

Note: Mr. Andrew K.F. Chan is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors, a Member of China Institute of Real Estate Appraisers and Agents and a Registered Professional Surveyor (General Practice). Mr. Chan has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Mr. Chan has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.

SUMMARY OF VALUATION

Property	Market value in existing state as at 29 March 2018 *(USD)*	Interest attributable to the Group post acquisition *(%)*	Market value in existing state as at 29 March 2018 attributable to the Group post acquisition *(USD)*
PROPERTY INTEREST TO BE ACQUIRED BY THE GROUP IN THE PLURINATIONAL STATE OF BOLIVIA FOR OWNER OCCUPATION			
7 agricultural plots namely EI Recreo, Tres Marias Fundo A, Tres Marias I Lot 1, Tres Marias I Lot 2, Tres Marias I Lot 3 , Tres Marias I Lot 4 and Tres Marias I Lot 5, located at Obispo Santisteban Province, Santa Cruz Department, The Plurinational State of Bolivia	53,850,000 ((equivalent to approximately HKD422,700,000))	100	53,850,000 ((equivalent to approximately HKD422,700,000))

VALUATION REPORT

PROPERTY INTEREST TO BE ACQUIRED BY THE GROUP IN THE PLURINATIONAL STATE OF BOLIVIA FOR OWNER OCCUPATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 29 March 2018
7 agricultural plots namely EI Recreo, Tres Marias Fundo A, Tres Marias I Lot 1, Tres Marias I Lot 2, Tres Marias I Lot 3 , Tres Marias I Lot 4 and Tres Marias I Lot 5, located at Obispo Santisteban Province, Santa Cruz Department, The Plurinational State of Bolivia	The property comprises 7 agricultural plots with a total site area of approximately 12,394 hectares, on which are created various ancillary buildings and structures completed in various stages in between 2013 and 2015. A total of 70.70% of the site area of the property is suitable for cultivation. The remaining site area is native forest. Please refer to Note No. 7 below for detailed descriptions of each plot. The property is a freehold estate. There is no ground/government rent charged on the property.	The property is currently owner-occupied for agricultural purposes.	USD53,850,000 (equivalent to approximately HKD422,700,000) *(Refer to Note 1)*

Notes:

(1) In the course of valuation, we have ascribed no commercial value to the plot namely Tres Marias I Lot 5 as the title certificate is yet to be granted. For the Group's management reference, however, we are requested to conduct the valuation on Special Assumptions described below. Had valid title certificate been issued and the plot been freely transferable, the market value of Tres Marias I Lot 5 as at 29 March 2018 would be USD 1,340,000 (equivalent to approximately HKD10,600,000).

(2) The breakdown of the market value of each lot is listed as follows:

Plot	Market Value in existing state as at 29 March 2018
El Recreo	USD 18,700,000 (equivalent to approximately HKD146,800,000)
Tres Marias Fundo A	USD23,400,000 (equivalent to approximately HKD183,700,000)
Tres Marias I Lot 1	USD6,200,000 (equivalent to approximately HKD48,700,000)
Tres Marias I Lot 2	USD1,850,000 (equivalent to approximately HKD14,500,000)
Tres Marias I Lot 3	USD1,850,000 (equivalent to approximately HKD14,500,000)
Tres Marias I Lot 4	USD1,850,000 (equivalent to approximately HKD14,500,000)
Tres Marias I Lot 5	No commercial value
Total:	**USD53,850,000 (equivalent to approximately HKD422,700,000)**

(3) The valuation of the property was prepared by Mr. Julio Cesar Speroni and Mr. Nick Yeung MRICS under the supervision of Mr. Andrew Chan MHKIS.

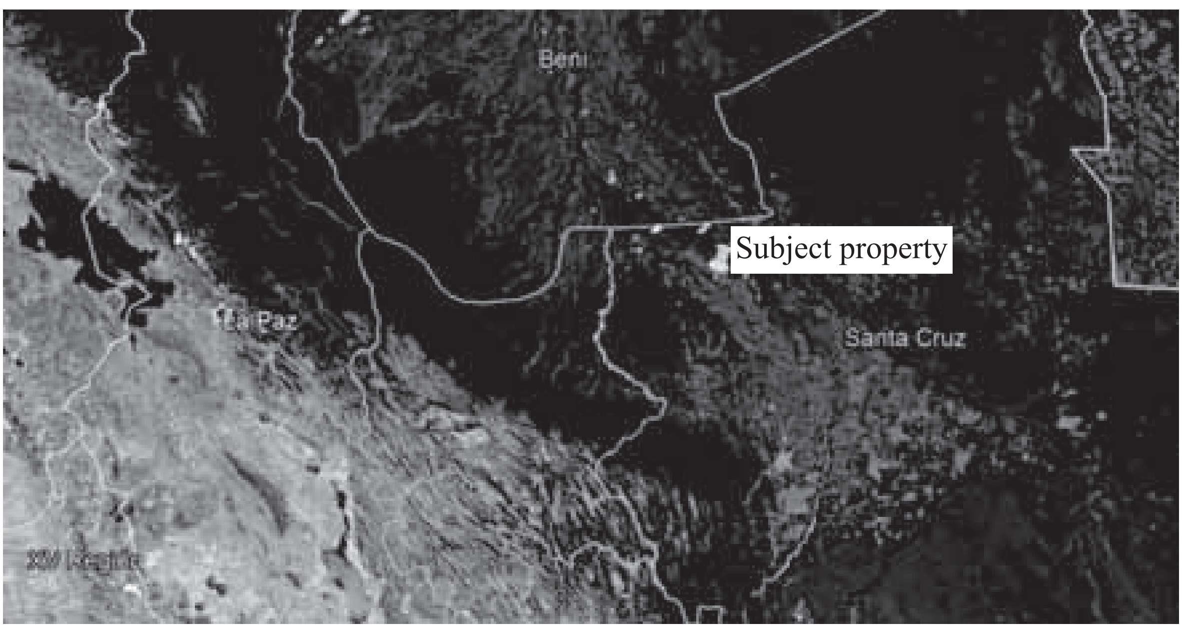
(4) The valuation of the subject property is undertaken in accordance with The HKIS Valuation Standards 2017 Edition which follows the International Valuation Standards and we have adopted Market Comparison Method which is one of the recognized valuation methods in the said valuation standards. It is our company house rule to follow the appropriate valuation standards.

The skill sets involved in the valuation of different kinds of property using Market Comparison Method are the same. Mr. Andrew Chan has over 30 years of valuation experience and his expertise covers the valuation of properties of similar nature to the subject property.

In the course of valuation, our colleague in Cushman & Wakefield Argentina office, Mr. Julio Cesar Speroni provided all the relevant materials including the current status of the subject property as well as the details of the comparable properties. We have internally discussed the valuation before concluding the opinion on the market value of the property.

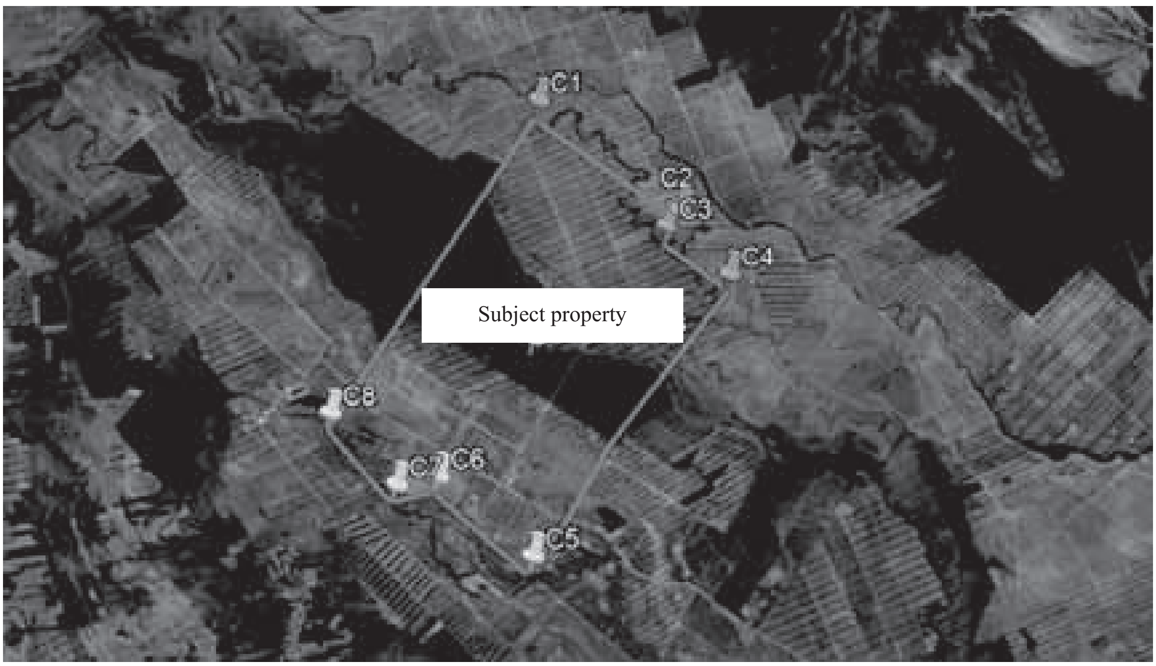
(5) The property was inspected by Mr. Julio Cesar Speroni on 6 February 2018. Mr. Julio Cesar Speroni is a Member of the Argentine Institute of Valuation (IAT) and Associate Member of the Appraisal Institute (AI), with 20 years' experience in property valuations.

(6) Location map of the property:



Boundary of the property with GPS coordinates

Point	GPS coordinates
C1	16°11'54.44"S, 63°46'30.66"W
C2	16°14'14.52"S, 63°43'32.38"W
C3	16°14'33.43"S, 63°43'48.15"W
C4	16°15'33.21"S, 63°42'31.22"W
C5	16°21'7.72"S, 63°46'30.04"W
C6	16°19'35.46"S, 63°48'25.16"W
C7	16°19'44.90"S, 63°49'15.22"W
C8	16°18'20.68"S, 63°50'38.57"W



(7) Detail descriptions of each plot of the property are listed as follows:

Plot	Description	Site Area (Hectares)
El Recreo	According to the environment stratification analysis, Tres Marias I El Recreo comprises the following portions: 1. Agriculture land — Approximately 2,145.35 hectares (about 44.1% of the subject lot area) can be used for cultivation of corn and soy; 2. Native forest — Approximately 2,116.12 hectares (about 43.5% of the subject lot area) is classified as native forest, in which 265.27 hectares of land is able to be converted to agriculture land for cultivation of corn and soy. 3. Agriculture land — Approximately 523.89 hectares (about 10.8% of the subject lot area) can be used for cultivation of rice; and 4. Streams — Approximately 77.87 hectares (about 1.6% of the subject lot area).	4,863.23

Plot	Description	Site Area (Hectares)
	The topographic of the subject area is a floodplain together with some depression areas.	
Tres Marias Fundo A	According to the environment stratification analysis, Tres Marias Fundo A comprises the following portions: 1. Agriculture land — Approximately 3,403.03 hectares (about 69.8% of the subject lot area) can be used for cultivation of corn and soy; 2. Native forest — Approximately 864.03 hectares (about 17.7% of the subject lot area) is classified as native forest and protected by law; and 3. Agriculture land — Approximately 569.13 hectares (about 11.7% of the subject lot area) can be used for cultivation of rice; and 4. Streams — Approximately 36.5 hectares (about 0.8% of the subject lot area). The topographic of the subject area is a floodplain together with some depression areas.	4,872.69
Tres Marias I Lot 1	According to the environment stratification analysis, Tres Marias I Lot 1 comprises the following portions: 1. Agriculture land — Approximately 540.54 hectares (about 42.9% of the subject lot area) can be used for cultivation of corn and soy; 2. Native forest — Approximately 352.80 hectares (about 28% of the subject lot area) is classified as native forest, in which 229.19 hectares of land is able to be converted to agriculture land for cultivation of corn and soy; while the rest (about 123.61 hectares) is classified as reserved land; 3. Agriculture land — Approximately 306.31 hectares (about 24.3% of the subject lot area) can be used for cultivation of rice; and 4. Streams — Approximately 60.35 hectares (about 4.8% of the subject lot area). The topographic of the subject area is a floodplain together with some depression areas.	1,260.00
Tres Marias I Lot 2	According to the environment stratification analysis, Tres Marias I Lot 2 comprises the following portions: 1. Agriculture land — Approximately 304.46 hectares (about 81.2% of the subject lot area) can be used for cultivation of corn and soy;	375.00

Plot	Description		Site Area (Hectares)
	2. Native forest —	Approximately 34.13 hectares (about 9.1% of the subject lot area) is classified as native forest and protected by law; and	
	3. Agriculture land —	Approximately 36.41 hectares (about 9.7% of the subject lot area) can be used for cultivation of rice.	
	The topographic of the subject area is a floodplain together with some depression areas.		
Tres Marias I Lot 3	According to the environment stratification analysis, Tres Marias I Lot 3 comprises the following portions:		375.00
	1. Agriculture land —	Approximately 309.00 hectares (about 82.4% of the subject lot area) can be used for cultivation of corn and soy;	
	2. Native forest —	Approximately 27.45 hectares (about 7.3% of the subject lot area) is classified as native forest and protected by law; and	
	3. Agriculture land —	Approximately 38.55 hectares (about 10.3% of the subject lot area) can be used for cultivation of rice.	
	The topographic of the subject area is a floodplain together with some depression areas.		
Tres Marias I Lot 4	According to the environment stratification analysis, Tres Marias I Lot 4 comprises the following portions:		375.00
	1. Agriculture land —	Approximately 293.03 hectares (about 78.1% of the subject lot area) can be used for cultivation of corn and soy;	
	2. Native forest —	Approximately 32.18 hectares (about 8.6% of the subject lot area) is classified as native forest and protected by law;	
	3. Agriculture land —	Approximately 47.80 hectares (about 12.7% of the subject lot area) can be used for cultivation of rice; and	
	4. Streams —	Approximate 1.99 hectares (about 0.5% of the subject lot area).	
	The topographic of the subject area is a floodplain together with some depression areas.		
Tres Marias I Lot 5	According to the environment stratification analysis, Tres Marias I Lot 5 comprises the following portions:		272.76
	1. Agriculture land —	Approximately 205.71 hectares (about 75.4% of the subject lot area) can be used for cultivation of corn and soy;	

Plot	Description		Site Area (Hectares)
	2. Native forest —	Approximately 23.02 hectares (about 8.4% of the subject lot area) is classified as native forest and protected by law;	
	3. Agriculture land —	Approximately 39.63 hectares (about 14.5% of the subject lot area) can be used for cultivation of rice; and	
	4. Streams —	Approximately 4.40 hectares (about 1.6% of the subject lot area).	
	The topographic of the subject area is a floodplain together with some depression areas.		
		Total:	**12,393.68**

(8) The property rights of the property are currently registered in the public records of the Real Estate Offices of Bolivia under the following registration numbers:

Plot	Registration No.	Location stated in the records	Owner	Site Area (Hectares)
El Recreo	7.10.5.01.0002072	El Recreo	Empresa Agropecuaria Novagro S.A.	4,863.23
Tres Marias Fundo A	7.10.5.01.0002073	Tres Marias Fundo A	Empresa Agropecuaria Novagro S.A.	4,872.69
Tres Marias I Lot 1	7.10.301.0003237	Municipio San Pedro	Empresa Agropecuaria Novagro S.A.	1,260.00
Tres Marias I Lot 2	7.10.301.0003236	Canton San Pedro, "Tres Marias I"	Empresa Agropecuaria Novagro S.A.	375.00
Tres Marias I Lot 3	7.10.301.0003593	San Pedro, Predio Denominado "Tres Marias"	Empresa Agropecuaria Novagro S.A.	375.00
Tres Marias I Lot 4	7.10.301.0003594	San Pedro, Predio Denominado "Tres Marias"	Empresa Agropecuaria Novagro S.A.	375.00
			Total:	**12,120.92**

Pursuant to the Public Deed 67/2008 dated 21 January 2008, Empresa Agropecuaria Novagro S.A. has purchased Tres Marias I Lot 5, comprising approximately 272.76 hectares, from its former owner Empresa Agropecuaria Tres Marías S.R.L., but the legal title has not been registered in the Real Estate Office of Bolivia.

(9) El Recreo was mortgaged in favor of Banco Nacional de Bolivia, for a line of credit equal to the sum of Bs. 21,000,000.00.

(10) Pengxin Agricultural Group consists of Pengxin Agricultural Holdings Co Ltd., 4 BVI companies and Empresa Agropecuaria Novagro S.A.. The Company is acquiring the entire equity interest of Pengxin Agricultural Holdings Co Ltd from Mr. Jiang Zhaobai who is the sole shareholder of Pengxin Agricultural Holdings Co Ltd. in order to obtain the 100% equity interest in Empresa Agropecuaria Novagro S.A.. Under the Sale and Purchase Agreement, before completion, Pengxin Agricultural Holdings Co Ltd. will acquire the 0.01% interest from other shareholders. Upon completion the Company would become the ultimate 100% shareholder of Empresa Agropecuaria Novagro S.A..

(11) We have been provided with a legal opinion regarding the legality of the property interest by the Group's legal adviser, which contains, inter alia, the following:

El Recreo

a. the ownership of the plot is legally vested in favor of Empresa Agropecuaria Novagro S.A.;

b. the use of the plot is in compliance with the permitted uses by applicable law and regulations and the "Final Administrative Resolution" and definite legal title of the property have been obtained;

c. a mortgage, for Bs. 21,000,000.00. in favor of Banco Nacional de Bolivia is currently affecting the property; and

d. apart from the mortgage, there are no other legal issues that could affect the rights of the owner to freely occupy, use, lease or dispose of the property.;

Tres Marias Fundo A

a. the ownership of the plot is legally vested in favor of Empresa Agropecuaria Novagro S.A.;

b. the use of the plot is in compliance with the permitted uses by applicable law and regulations and the "Final Administrative Resolution" and definite legal title of the property have been obtained;

c. no mortgage, seizure, tenancy or other kinds of encumbrances have been found out from the plot; and

d. the owner is entitled to transfer, lease, mortgage or dispose of the plot by any lawful means;

Tres Marias I Lot 1, 2, 3, 4 and 5

a. The ownership of Tres Marias I Lot 1, 2, 3 and 4 is legally vested in favor of Empresa Agropecuaria Novagro S.A.;

b. Empresa Agropecuaria Tres Marías S.R.L. is still the registered owner of Tres Marias I Lot 5, although this land has already been purchased by Empresa Agropecuaria Novagro S.A. per Public Deed 67/2008, registration before the Real Estate Office is pending and the proper legal title of the property has not been obtained;

c. The use of the property is not in compliance (details of which is set out under the section headed "Information of Pengxin Agricultural Group" of the Letter from the Board) with the permitted uses by applicable law;

d. Judicial proceedings before the Agricultural Tribunal are underway in order to obtain proper legal title to the property. During the period of judicial proceedings, Empresa Agropecuaria Novagro S.A., may continue its operations lawfully on the Tres Marias I Lots 1 to 5 under the laws of Bolivia;

e. Subject to compliance of all necessary procedures in relation to Administrative Clearance Process as required by the relevant government authorities in Bolivia, there are no foreseeable legal impediments to obtain definite legal title for Tres Marias I Lots 1 to 5. Other than legal fees and minor registration fees, there are no foreseeable costs to obtain legal title of the property;

f. Once legal title has been declared in favor of Empresa Agropecuaria Novagro S.A.; Tres Marias I Lot 1, 2, 3, 4 and 5 will merge into one single registration, namely El Arrozal, before the Real Estate Office of Bolivia;

g. Once legal title has been declared in favor of Empresa Agropecuaria Novagro S.A., it will be entitled to use, transfer, lease, mortgage or dispose of the property by any lawful means; and

h. Public Deed 67/2008 is a valid, legal and enforceable public document under the laws of Bolivia.

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. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive 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 (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of shareholding
Mr. Jiang	The Company	Interest in controlled corporation *(Note)*	1,742,300,000 Shares (L)	28.66%
Shen Angang	The Company	Beneficial owner	392,995,000 Shares (L)	6.47%
Lam Cheung Shing, Richard	The Company	Beneficial owner	7,700,000 Shares (L)	0.13%

(L) denotes the long position held in the Shares

Note: These Shares are held as to 1,033,300,000 Shares by Rich Monitor Limited, and as to 709,000,000 Shares by Pengxin Holdings Company Limited. The entire issued share capital of Rich Monitor Limited and Pengxin Holdings Company Limited are owned by Mr. Jiang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (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 (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and persons having 5% or more shareholding

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up) or had options in respect of such capital:

Name	Name of company in which interests or short positions were held	Nature of interests	Number of shares	Approximate percentage of shareholding
Rich Monitor Limited *(Note 1)*	The Company	Beneficial owner	1,033,300,000 Shares (L)	17.00%
Pengxin Holdings Company Limited *(Note 1)*	The Company	Beneficial owner	709,000,000 Shares (L)	11.66%

(L) denotes long position in the Shares

Note:

1. The entire issued share capitals of Rich Monitor Limited and Pengxin Holdings Company Limited are held by Mr. Jiang, an executive Director and Chairman of the Company. Therefore, Mr. Jiang is deemed to be interested in 1,742,300,000 Shares under the SFO. Jiang Zhaobai is also a director of each of Rich Monitor Limited and Pengxin Holdings Company Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up) or who had any options in respect of such capital.

3. SERVICE CONTRACT

As at the Latest Practicable Date, there was no service contract or any proposed service contract between any of the Directors or proposed Directors and the Company or any member of the Group, excluding contracts expiring or determinable by the Group within a year without payment of any compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates had any interests in any business which competed or might compete with the business of the Group as at the Latest Practicable Date.

5. MATERIAL INTERESTS

As at the Latest Practicable Date, save for the Pengxin Agricultural Group of which Mr. Jiang was the ultimate beneficial owner, none of the Directors had any direct or indirect interest in the assets which had been, since 31 March 2017, the date to which the latest published audited consolidated accounts of the Company were made up, acquired or dispose of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up), or were proposed to be acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up).

As at the Latest Practicable Date, save for the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018), none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up).

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, neither the Company nor any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up) was engaged in any litigation nor or were these claims of material importance pending or threatened against any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up).

7. MATERIAL CONTRACTS

The following contract (not being contract entered into in the ordinary course of business) was entered into by members of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up) within two years immediately preceding the Latest Practicable Date:

(a) the Sale and Purchase Agreement (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018).

8. EXPERT AND CONSENT

The following is the qualification of the experts who have given opinions or advices contained in this circular:

Name	Qualification
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Cushman & Wakefield Limited	Chartered surveyors and valuers
Veda Capital Limited	a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up) or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up), or any interests, directly or indirectly, in any assets which had been, since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up, acquired, disposed of or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up), or were proposed to be acquired, disposed of or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 March 2017, being the date to which the latest audited consolidated accounts of the Company have been made up).

9. MISCELLANEOUS

(a) The registered office of the Company is at Suites 601–603, 6th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.

(b) The share registrar and transfer office of the Company is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The secretary of the Company is Mr. Lau Chi Lok, Freeman who is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia.

(d) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Suites 601–603, 6th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong during 9:00 a.m. to 6:00 p.m. on any business day of the Company, from the date of this circular up to and including the date of the GM:

(a) the articles of association of the Company;

(b) the material contract referred to in the paragraph headed "Material contracts" in this appendix;

(c) the annual reports of the Company for the two years ended 31 March 2017;

(d) the interim report of the Company for the six months ended 30 September 2017;

(e) the accountants' report of Pengxin Agricultural Group for the three years ended 31 December 2017 prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this circular;

(f) the report on the unaudited pro forma financial information of the Enlarged Group issued by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix IV to this circular;

(g) the written consents referred to in the paragraph headed ''Expert and Consent'' in this appendix;

(h) the property valuation report from Cushman and Wakefield Limited, the text of which is set out in Appendix V to this circular; and

(i) this circular.

EVERCHINA INT'L HOLDINGS COMPANY LIMITED
潤中國際控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 202)

NOTICE IS HEREBY GIVEN THAT a general meeting (the "**GM**") of EverChina Int'l Holdings Company Limited (the "**Company**") will be held at Suites 601–603, 6/F., Everbright Centre, 108 Gloucester Road, Wanchai at 10:30 a.m. on Thursday, 26 July 2018 for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company:

Ordinary Resolution

"**THAT**:

(i) the sale and purchase agreement dated 13 June 2017 (as supplemented by two extension notices dated 20 December 2017 and 26 March 2018 and such other amendments entered into from time to time) (together, the "**Agreement**", copies of which have been produced to the meeting marked "A" and signed by the chairman of the meeting for the purpose of identification) entered into between EverChina Int'l Holdings Company Limited (the "**Company**"), as purchaser and Mr. Jiang Zhaobai as vendor in relation to the sale and purchase of the entire issued share capital of Pengxin Agricultural Holdings Company Limited and the shareholder's loan due and owing by Pengxin Agricultural Holdings Company Limited to Mr. Jiang Zhaobai at the aggregate consideration of US$46,000,000 (subject to adjustment), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(ii) the directors of the Company be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the Agreement and the transactions contemplated thereunder."

By order of the Board
EverChina Int'l Holdings Company Limited
Lam Cheung Shing, Richard
Executive Director and Chief Executive Officer

Hong Kong, 28 June 2018

Registered office:
Suites 601–603, 6th Floor
Everbright Centre
108 Gloucestor Road
Wanchai, Hong Kong

Notes:

1. A shareholder of the Company entitled to attend and vote at the above meeting may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a shareholder of the Company.

2. Where there are joint registered holders of any share of the Company (the "***Share***"), any one such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. As at the date of this notice, the executive directors of the Company are Mr. Jiang Zhaobai, Mr. Shen Angang, Mr. Lam Cheung Shing, Richard and Mr. Chen Yi, Ethan; and the independent non-executive directors of the Company are Mr. Ho Yiu Yue, Louis, Mr. Ko Ming Tung, Edward and Professor Shan Zhemin.