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**中国地利集团**  
**China Dili Group**

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

**(Stock Code: 1387)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

| <b>FINANCIAL HIGHLIGHTS</b>                               | <b>Six months ended 30 June</b> |                    |                          |
|---|---------------------------------|--------------------|--------------------------|
|   | <b>2020</b>                     | <b>2019</b>        | <b>2019</b>              |
|   | <b>RMB'000</b>                  | <b>RMB'000</b>     | <b>RMB'000</b>           |
|   | <b>(Unaudited)</b>              | <b>(Unaudited)</b> | <b>(Unaudited)</b>       |
|   |                                 | <b>(Restated)</b>  | <b>(Original stated)</b> |
| Revenue   | <b>689,299</b>                  | 738,574            | 738,574                  |
| Profit from operations                                    | <b>330,002</b>                  | 378,805            | 259,034                  |
| Profit for the period                                     | <b>142,007</b>                  | 350,786            | 188,147                  |
| Profit attributable to equity shareholders of the Company | <b>137,184</b>                  | 341,964            | 179,325                  |
| Basic and diluted earnings per share ( <i>RMB cents</i> ) | <b>2.45</b>                     | 6.10               | 3.20                     |

*Note:* The Group has restated the amounts during the six months ended 30 June 2019 in accordance with the adoption of IFRS 16. See Note 15.

The board of directors (the “Board”) of China Dili Group (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020, together with the appropriate comparative figures as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2020 — unaudited*

|   |             | <b>Six months ended 30 June</b> |                              |
|---|-------------|---------------------------------|------------------------------|
|   |             | <b>2020</b>                     | <b>2019</b>                  |
|   | <i>Note</i> | <b>RMB'000</b>                  | <b>RMB'000</b><br>(restated) |
| <b>Revenue</b>  | 5           | <b>689,299</b>                  | 738,574                      |
| Other income  |             | <b>80,505</b>                   | 78,280                       |
| Administrative expenses   |             | <b>(304,614)</b>                | (278,841)                    |
| Other operating expenses  |             | <b>(135,188)</b>                | (159,208)                    |
| <b>Profit from operations</b>   |             | <b>330,002</b>                  | 378,805                      |
| Net unrealised gain/(loss) on financial assets<br>measured at fair value through profit or loss |             | <b>73,162</b>                   | (1,689)                      |
| Net valuation (loss)/gain on investment properties  |             | <b>(179,863)</b>                | 130,368                      |
| Finance income  |             | <b>24,325</b>                   | 37,489                       |
| Finance expenses  |             | <b>(54,737)</b>                 | (58,977)                     |
| Net finance expenses  | 6(b)        | <b>(30,412)</b>                 | (21,488)                     |
| <b>Profit before taxation</b>   | 6           | <b>192,889</b>                  | 485,996                      |
| Income tax  | 7           | <b>(50,882)</b>                 | (135,210)                    |
| <b>Profit for the period</b>  |             | <b>142,007</b>                  | 350,786                      |
| <b>Attributable to:</b>   |             |                                 |                              |
| Equity shareholders of the Company  |             | <b>137,184</b>                  | 341,964                      |
| Non-controlling interests   |             | <b>4,823</b>                    | 8,822                        |
| <b>Profit for the period</b>  |             | <b>142,007</b>                  | 350,786                      |
| <b>Basic and diluted earnings per share (RMB cents)</b>   | 9           | <b>2.45</b>                     | 6.10                         |

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2020 — unaudited*

|  | <b>Six months ended 30 June</b> |                |
|--|---------------------------------|----------------|
|  | <b>2020</b>                     | 2019           |
|  | <b><i>RMB'000</i></b>           | <i>RMB'000</i> |
|  |                                 | (restated)     |
| <b>Profit for the period</b>                         | <b>142,007</b>                  | 350,786        |
| <b>Other comprehensive income for the period</b>     |                                 |                |
| <b>(after tax and reclassification adjustments):</b> |                                 |                |
| Item that may be reclassified subsequently to        |                                 |                |
| profit or loss:                                      |                                 |                |
| Exchange differences on translation of               |                                 |                |
| financial statements of foreign operations           | <u>4,653</u>                    | <u>9,555</u>   |
| <b>Total comprehensive income for the period</b>     | <u><b>146,660</b></u>           | <u>360,341</u> |
| <b>Attributable to:</b>                              |                                 |                |
| Equity shareholders of the Company                   | <b>141,837</b>                  | 351,519        |
| Non-controlling interests                            | <u>4,823</u>                    | <u>8,822</u>   |
| <b>Total comprehensive income for the period</b>     | <u><b>146,660</b></u>           | <u>360,341</u> |

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*AT 30 JUNE 2020 — unaudited*

|  |             | At<br>30 June<br>2020<br><i>RMB'000</i> | At<br>31 December<br>2019<br><i>RMB'000</i> |
|--|-------------|---|---|
|  | <i>Note</i> |   |   |
| <b>Non-current assets</b>                    |             |   |   |
| Property and equipment                       | 10          | 4,981,581                               | 4,778,359                                   |
| Investment properties                        |             | 4,591,000                               | 4,768,900                                   |
| Intangible assets                            |             | 12,880                                  | 12,630                                      |
| Goodwill                                     |             | 1,094,526                               | 1,094,526                                   |
| Other assets                                 |             | 999,583                                 | 927,677                                     |
| Other receivables                            | 11          | 620,460                                 | 255,460                                     |
| Deferred tax assets                          |             | 563                                     | 601   |
|  |             | <hr/>                                   | <hr/>                                       |
| <b>Total non-current assets</b>              |             | <b>12,300,593</b>                       | 11,838,153                                  |
|  |             | <hr/>                                   | <hr/>                                       |
| <b>Current assets</b>                        |             |   |   |
| Inventories                                  |             | 65,878                                  | 44,337                                      |
| Other receivables                            | 11          | 496,783                                 | 948,968                                     |
| Cash at bank and on hand                     |             | 817,478                                 | 671,619                                     |
| Other assets                                 |             | 11,248                                  | 2,262                                       |
|  |             | <hr/>                                   | <hr/>                                       |
| <b>Total current assets</b>                  |             | <b>1,391,387</b>                        | 1,667,186                                   |
|  |             | <hr/>                                   | <hr/>                                       |
| <b>Current liabilities</b>                   |             |   |   |
| Bank loans                                   |             | 336,186                                 | 173,500                                     |
| Other payables                               | 12          | 686,121                                 | 860,281                                     |
| Lease liabilities                            |             | 85,339                                  | 125,617                                     |
| Taxation                                     |             | 125,286                                 | 114,698                                     |
|  |             | <hr/>                                   | <hr/>                                       |
| <b>Total current liabilities</b>             |             | <b>1,232,932</b>                        | 1,274,096                                   |
|  |             | <hr/>                                   | <hr/>                                       |
| <b>Net current assets</b>                    |             | <b>158,455</b>                          | 393,090                                     |
|  |             | <hr/>                                   | <hr/>                                       |
| <b>Total assets less current liabilities</b> |             | <b>12,459,048</b>                       | 12,231,243                                  |
|  |             | <hr/>                                   | <hr/>                                       |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (*Continued*)  
*AT 30 JUNE 2020 — unaudited*

|  |             | At<br>30 June<br>2020<br><i>RMB'000</i> | At<br>31 December<br>2019<br><i>RMB'000</i> |
|--|-------------|---|---|
|  | <i>Note</i> |   |   |
| <b>Non-current liabilities</b>   |             |   |   |
| Bank loans   |             | 312,080                                 | 299,680                                     |
| Lease liabilities  |             | 1,513,883                               | 1,447,037                                   |
| Deferred tax liabilities   |             | 1,602,740                               | 1,657,844                                   |
| Deferred income  |             | 2,881                                   | 2,404                                       |
|  |             | <hr/>                                   | <hr/>                                       |
| <b>Total non-current liabilities</b>                                       |             | <b>3,431,584</b>                        | <b>3,406,965</b>                            |
|  |             | <hr/>                                   | <hr/>                                       |
| <b>Net assets</b>  |             | <b>9,027,464</b>                        | <b>8,824,278</b>                            |
|  |             | <hr/>                                   | <hr/>                                       |
| <b>Capital and reserves</b>  |             |   |   |
| Share capital  | 13          | 478,794                                 | 478,794                                     |
| Reserves   |             | 8,263,516                               | 8,134,133                                   |
|  |             | <hr/>                                   | <hr/>                                       |
| <b>Total equity attributable to equity shareholders<br/>of the Company</b> |             | <b>8,742,310</b>                        | <b>8,612,927</b>                            |
| <b>Non-controlling interests</b>   |             | <b>285,154</b>                          | <b>211,351</b>                              |
|  |             | <hr/>                                   | <hr/>                                       |
| <b>Total equity</b>  |             | <b>9,027,464</b>                        | <b>8,824,278</b>                            |
|  |             | <hr/>                                   | <hr/>                                       |

## NOTES:

### 1. INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2020 are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board will be included in the interim report to be sent to shareholders.

### 2. BASIS OF PREPARATION

The interim financial report of the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 27 August 2020.

### 3. PRINCIPAL ACCOUNTING POLICIES

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 4.

### 4. CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to International Financial Reporting Standards ("IFRSs") that are first effective for the current accounting period of the Group.

- Amendments to IFRS 3, Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8, Definition of Material

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

### 5. REVENUE AND SEGMENT REPORTING

#### (a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines is as follow:

|  | <b>Six months ended 30 June</b> |                |
|--|---------------------------------|----------------|
|  | <b>2020</b>                     | <b>2019</b>    |
|  | <b>RMB'000</b>                  | <b>RMB'000</b> |
| <b>Revenue from contracts with customers within the scope of IFRS 15</b> |                                 |                |
| Commission income  | <b>478,123</b>                  | 539,783        |
| <b>Revenue from other sources</b>  |                                 |                |
| Operating lease  | <b>211,176</b>                  | 198,791        |
|  | <b>689,299</b>                  | 738,574        |

## 5. REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting

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

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

## 6. PROFIT BEFORE TAXATION

### (a) Personnel expenses

|  | Six months ended 30 June |                |
|--|--------------------------|----------------|
|  | 2020                     | 2019           |
|  | RMB'000                  | RMB'000        |
| Wages, salaries and other benefits                     | 156,906                  | 165,514        |
| Contributions to defined contribution retirement plans | 4,233                    | 13,939         |
|  | <u>161,139</u>           | <u>179,453</u> |

### (b) Net finance expenses

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2020                     | 2019            |
|   | RMB'000                  | RMB'000         |
|   |                          | (restated)      |
| Finance income                                |                          |                 |
| — Interest income on bank deposits            | 2,067                    | 3,988           |
| — Interest income on loans to related parties | 12,887                   | —               |
| — Interest income on loans to third parties   | 8,581                    | 33,413          |
| — Net foreign exchange gain                   | 556                      | 88              |
| — Gain on disposal of financial assets        | 234                      | —               |
|   | <u>24,325</u>            | <u>37,489</u>   |
| Finance expenses                              |                          |                 |
| — Interest on bank loans                      | (15,027)                 | (16,689)        |
| — Interest on lease liabilities               | (38,922)                 | (40,311)        |
| — Bank charges and others                     | (788)                    | (1,977)         |
|   | <u>(54,737)</u>          | <u>(58,977)</u> |
|   | <u>(30,412)</u>          | <u>(21,488)</u> |

## 6. PROFIT BEFORE TAXATION (Continued)

### (c) Other items

|  | Six months ended 30 June |            |
|--|--------------------------|------------|
|  | 2020                     | 2019       |
|  | RMB'000                  | RMB'000    |
|  |                          | (restated) |
| Depreciation   |                          |            |
| — Owned property and equipment                         | 49,968                   | 48,721     |
| — Right-of-use assets                                  | 99,023                   | 92,889     |
| Operating lease expenses relating to short-term leases | 3,886                    | 6,463      |

## 7. INCOME TAX

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

|  | Six months ended 30 June |            |
|--|--------------------------|------------|
|  | 2020                     | 2019       |
|  | RMB'000                  | RMB'000    |
|  |                          | (restated) |
| <b>Current tax</b>                               |                          |            |
| PRC Enterprise Income Tax                        |                          |            |
| Provision for the period                         | 103,270                  | 117,584    |
| Under-provision in respect of prior years        | 2,678                    | 1,298      |
|  | 105,948                  | 118,882    |
| <b>Deferred tax</b>                              |                          |            |
| Reversal and origination of temporary difference | (55,066)                 | 16,328     |
|  | 50,882                   | 135,210    |

- (i) According to the Corporate Income Tax Law of the PRC, from 1 January 2008, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25%.
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2019: 16.5%) to the six months ended 30 June 2020.

## 8. DIVIDENDS

The Board resolved that there was no interim dividend declared attributable to the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).



## 9. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB137,184,000 (six months ended 30 June 2019 (restated): profit of RMB341,964,000) and the weighted average of 5,592,470,000 ordinary shares (six months ended 30 June 2019: 5,608,753,000 ordinary shares) in issue during the six months ended 30 June 2020.

During the six months ended 30 June 2020 and 2019, diluted earnings per share is calculated on the same basis as basic earnings per share.

## 10. PROPERTY AND EQUIPMENT

### (a) Right-of-use assets

During the six months ended 30 June 2020, the Group entered into a number of lease agreements for use of offices, and therefore recognised the additions to right-of-use assets of RMB44,429,000.

### (b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2020, the Group acquired other property and equipment with a cost of RMB310,171,000 (six months ended 30 June 2019: RMB59,038,000). Other property and equipment with a net book value of RMB108,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB169,000), resulting in a loss on disposal of RMB12,000 (six months ended 30 June 2019: gain of RMB561,000).

## 11. OTHER RECEIVABLES

|   |             | At<br>30 June<br>2020<br>RMB'000 | At<br>31 December<br>2019<br>RMB'000 |
|---|-------------|----------------------------------|--------------------------------------|
|   | <i>Note</i> |                                  |                                      |
| Amounts due from related parties                  | (i)         | 614,692                          | 236,804                              |
| Loans to third parties                            |             | –                                | 460,006                              |
| Receivable for disposal of property and equipment | (ii)        | 184,205                          | 179,751                              |
| Amounts due from a third party                    | (iii)       | 31,946                           | 31,946                               |
| Deposits  | (iv)        | 200,000                          | 225,000                              |
| Other debtors                                     |             | 39,944                           | 28,513                               |
|   |             | <hr/>                            | <hr/>                                |
| Financial assets measured at amortised cost       |             | 1,070,787                        | 1,162,020                            |
| Prepayments                                       |             | 46,456                           | 42,408                               |
|   |             | <hr/>                            | <hr/>                                |
|   |             | 1,117,243                        | 1,204,428                            |
|   |             | <hr/>                            | <hr/>                                |
| Representing:                                     |             |                                  |                                      |
| — Non-current                                     |             | 620,460                          | 255,460                              |
| — Current   |             | 496,783                          | 948,968                              |
|   |             | <hr/>                            | <hr/>                                |
|   |             | 1,117,243                        | 1,204,428                            |
|   |             | <hr/>                            | <hr/>                                |

### (i) Amounts due from related parties

Amounts due from related parties represent the loans to related parties of RMB600,000,000 and the related interest as at 30 June 2020 (as at 31 December 2019: RMB235,000,000). The amounts are unsecured, interest bearing at 6% per annum and repayable in more than one year.

## 11. OTHER RECEIVABLES (Continued)

### (ii) Receivable for disposal of property and equipment

Receivable for disposal of property and equipment is due from a third party, which is secured by the relevant equipment with original maturity date of 30 June 2019. According to the supplemental agreements, the maturity date of the receivable is extended to 15 December 2020 and subject to a fixed interest rate of 1% per annum. RMB27,403,000 of the receivable had been settled as at the date of issuance of this interim announcement.

### (iii) Amounts due from a third party

The amounts due from a third party are unsecured and non-interest-bearing loan due from a seafood product market operating company under a cooperation contract with the Group. As at 30 June 2020, RMB4,646,000, RMB6,840,000 and RMB20,460,000 of the receivables will be repaid on demand, before 31 December 2020 and before 31 December 2023 respectively.

### (iv) Deposits

Deposits mainly represent deposits for acquisitions of agriculture related business in the PRC amounting to RMB150,000,000.

## 12. OTHER PAYABLES

|  | At<br>30 June<br>2020<br><i>RMB'000</i> | At<br>31 December<br>2019<br><i>RMB'000</i> |
|--|---|---|
| <i>Note</i>                                      |   |   |
| Construction payables                            | 89,874                                  | 96,232                                      |
| Other taxes payable                              | 5,913                                   | 8,543                                       |
| Amounts due to related parties                   | 1,695                                   | 12,614                                      |
| Salary and welfare expenses payable              | 18,289                                  | 94,113                                      |
| Professional service fee payables                | 10,383                                  | 7,373                                       |
| Deposits   | 346,100                                 | 368,721                                     |
| Others   | 66,679                                  | 46,553                                      |
|  | <hr/>                                   | <hr/>                                       |
| Financial liabilities measured at amortised cost | 538,933                                 | 634,149                                     |
| Receipt-in-advance                               | 147,188                                 | 226,132                                     |
|  | <hr/>                                   | <hr/>                                       |
|  | <b>686,121</b>                          | <b>860,281</b>                              |
|  | <hr/>                                   | <hr/>                                       |

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

### 13. SHARE CAPITAL

|                                 | Number of shares              |                                   | Amount                           |                                      |
|---------------------------------|-------------------------------|-----------------------------------|----------------------------------|--------------------------------------|
|                                 | At<br>30 June<br>2020<br>'000 | At<br>31 December<br>2019<br>'000 | At<br>30 June<br>2020<br>RMB'000 | At<br>31 December<br>2019<br>RMB'000 |
| <b>Authorised:</b>              |                               |                                   |                                  |                                      |
| At beginning of period/year     |                               |                                   |                                  |                                      |
| Ordinary shares of HKD0.01 each | –                             | 150,000,000                       |                                  |                                      |
| Share Consolidation (i)         | –                             | (135,000,000)                     |                                  |                                      |
| Ordinary shares of HKD0.10 each | <b>15,000,000</b>             | –                                 |                                  |                                      |
| At end of period/year           |                               |                                   |                                  |                                      |
| Ordinary shares of HKD0.10 each | <b>15,000,000</b>             | 15,000,000                        |                                  |                                      |
| <b>Issued and fully paid:</b>   |                               |                                   |                                  |                                      |
| At beginning of period/year     |                               |                                   |                                  |                                      |
| Ordinary shares of HKD0.01 each | –                             | 57,155,930                        | <b>478,794</b>                   | 478,794                              |
| Share Consolidation (i)         | –                             | (51,440,337)                      | –                                | –                                    |
| Ordinary shares of HKD0.10 each | <b>5,715,593</b>              | –                                 | –                                | –                                    |
| At end of period/year           |                               |                                   |                                  |                                      |
| Ordinary shares of HKD0.10 each | <b>5,715,593</b>              | 5,715,593                         | <b>478,794</b>                   | 478,794                              |

#### (i) Share Consolidation

Pursuant to the ordinary resolution passed by the shareholders at the extraordinary general meeting of the Company held on 24 May 2019, every ten issued and unissued shares of HKD0.01 each in the share capital of the Company were consolidated into one consolidated share of HKD0.10 each (the “Share Consolidation”). Upon the Share Consolidation becoming effective on 27 May 2019, the authorised share capital of the Company became HKD1,500,000,000 divided into 15,000,000,000 consolidated shares of HKD0.10 each, of which 5,715,593,000 consolidated shares (which are fully paid or credited as fully paid) were in issue immediately.

### 14. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 5 June 2018, the Company, Yield Smart Limited (“Yield Smart”), a wholly-owned subsidiary of the Company, and New Amuse Limited (“New Amuse”) entered into an acquisition agreement (the “Hada Acquisition Agreement”) under which Yield Smart conditionally agreed to acquire the entire issued share capital of United Progress Group Limited (“United Progress”) which was a wholly-owned subsidiary of New Amuse (the “Hada Acquisition”). On 27 April 2020, all the parties were further entered into a deed of amendment to amend certain terms and conditions of the Hada Acquisition and the conditions precedent of the Hada Acquisition Agreement. United Progress and its subsidiaries, comprises eight PRC landlord entities, each of which was an operating subsidiary of New Amuse which holds the land and properties for the operation of the six existing agriculture wholesale markets.

The total consideration for the Hada Acquisition is RMB4.0 billion (equivalent to approximately HK\$4.4 billion), which shall be fully settled by the issuance of the convertible bond by the Company.

#### 14. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD (Continued)

The above Hada Acquisition has completed as all the conditions have been fulfilled or waived on 21 August 2020. As a result, United Progress became a wholly-owned subsidiary of the Company.

On the same day of the Hada Completion, upon issuance of the convertible bond by the Company in favour of New Amuse, New Amuse has fully exercised its conversion rights in respect of the convertible bond in the principal amount of HK\$4,405,286,344 (equivalent to approximately RMB4.0 billion) under the terms and conditions of the convertible bond. As a result of the conversion, 2,702,629,658 conversion shares have been allotted and issued to New Amuse by the Company.

Immediately after the allotment and issue of the conversion shares, New Amuse holds a total of 3,514,336,975 ordinary shares of the Company, representing approximately 41.75% of the total issued shares of the Company as enlarged by the allotment and issue of the conversion shares.

#### 15. COMPARATIVE FIGURES

As disclosed in note 14, the Company, Yield Smart and New Amuse entered into the Hada Acquisition Agreement in 2018 under which Yield Smart conditionally agreed to acquire the entire issued share capital of United Progress in respect of the Hada Acquisition. When preparing the Company's interim financial report for the six months ended 30 June 2019, the Hada Acquisition was expected to be completed during the year ended 31 December 2019 and accordingly the Company has taken advantage of the transitional practical expedient of not applying the requirements of IFRS 16 to leases for which the remaining lease terms end within 12 months from the date of initial application of IFRS 16. Subsequent to the issuance of the 2019 interim financial report, in light of the developments related to the Hada Acquisition, the management of the Company re-assessed the lease terms of the leases with the subsidiaries of United Progress at the date of initial application of IFRS 16, determined that it was no longer reasonably certain that these lease agreements would be terminated within 12 months from that date, and capitalised these leases from 1 January 2019 under the modified retrospective approach to transition.

In addition to the transitional impacts as disclosed in the Company's 2019 annual financial statements, the above-mentioned change also resulted in consequential changes to certain amounts in the Group's consolidated statement of profit or loss for the six months ended 30 June 2019 as previously reported in the Company's 2019 interim financial report, as summarised in the following table:

|   | Six months ended 30 June 2019  |  |
|---|--|--|
|   | As previously<br>presented in<br>the 2019 interim<br>financial report<br>RMB'000 | As presented in<br>the 2020 interim<br>financial report<br>RMB'000 |
| <b>Line items in the consolidated statement of profit or loss<br/>for the six months ended 30 June 2019</b> |  |  |
| Administrative expenses   | (210,770)  | (278,841)  |
| Other operating expenses  | (372,505)  | (159,208)  |
| Net valuation gain on investment properties   | 27,144   | 130,368  |
| Finance expenses  | (27,379)   | (58,977)   |
| Income tax  | (80,997)   | (135,210)  |
| Profit for the period   | 188,147  | 350,786  |

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group operated 10 agriculture wholesale markets in 7 cities in the PRC during the period under review.

### BUSINESS REVIEW

| <b>Agriculture Wholesale Market</b>   | <b>Location</b>                        | <b>Total Gross Floor Area<br/>(sq.m.)</b> |
|---|--|---|
| Hangzhou Fruit-products Market  | Hangzhou city, Zhejiang province       | 104,320                                   |
| Hangzhou Vegetable Market   | Hangzhou city, Zhejiang province       | 44,928                                    |
| Hangzhou Seafood Market   | Hangzhou city, Zhejiang province       | 95,769                                    |
| Shenyang Shouguang Dili Agricultural Produce and Side Products Market (“Shenyang Market”) | Shenyang city, Liaoning province       | 264,517                                   |
| Guiyang Agricultural Produce Logistic Park (“Guiyang Market”)                             | Guiyang city, Guizhou province         | 187,081                                   |
| Harbin Hada Agricultural Produce and Side Products Market (“Harbin Hada Market”)          | Harbin city, Heilongjiang province     | 217,574                                   |
| Qiqihar Hada Agricultural Produce Market (“Qiqihar Hada Market”)                          | Qiqihar city, Heilongjiang province    | 40,593                                    |
| Muda International Agricultural Produce Logistic Park (“Muda Market”)                     | Mudanjiang city, Heilongjiang province | 169,019                                   |
| Harbin Youyi Agricultural Produce Market (“Harbin Youyi Market”)                          | Harbin city, Heilongjiang province     | 13,656                                    |
| China Shouguang Agricultural Produce Logistic Park (“Shouguang Market”)                   | Shouguang city, Shandong province      | 545,457                                   |
| Total   |  | <u>1,682,914</u>                          |

## **BUSINESS REVIEW** *(Continued)*

### **Hada Acquisition**

On 27 April 2020, the Company announced the amendment of the terms of the acquisition of the land and properties of 7 existing agriculture wholesale markets operated by the Group which was first announced in June 2018 (the “Original Hada Acquisition”). The amendment of the terms include (i) the revised scope of the acquisition to be acquired by the Group by excluding the landlord entity holding the land and properties assets of the Shouguang Market; and (ii) the revised consideration of RMB4 billion for the acquisition of the land and properties of the other 6 markets and such consideration will be settled by issue of convertible bonds by the Company (the “Hada Acquisition”).

The Hada Acquisition was approved by the independent shareholders on 24 June 2020 and completion had taken place on 21 August 2020. Pursuant to the completion of the Hada Acquisition, the convertible bonds of the principal amount of HK\$4,405,286,344 (equivalent to RMB4 billion) for the settlement of the consideration was issued in favour of New Amuse Limited (“New Amuse”), a connected person of the Company and also the holding company which owns the target entities of the Hada Acquisition. On the same day, New Amuse fully exercised the conversion rights of the convertible bonds. As a result, a total of 2,702,629,658 shares have been allotted and issued to New Amuse by the Company.

As a result of the completion of the Hada Acquisition, apart from the 3 markets in Hangzhou where the Group acquired the business together with the land and assets in 2018, the Group now also owns the land and properties of other 6 markets under its operation, namely the Shenyang Market, Guiyang Market, Harbin Hada Market, Qiqihar Hada Market, Muda Market and Harbin Youyi Market. In respect of Shouguang Market, the Group continues to rent from the landlord, a connected person of the Company controlled by New Amuse, to occupy and use of the land and properties for operation of the Shouguang Market. The annual rental is RMB15,750,000 from the date of 21 August 2020 until 31 December 2021 and will be increased thereafter. Details of which can be referred to the circular of the Company dated 29 May 2020.

By consolidating the land and properties with the operation of the markets and assuming the “landlord” role, the Group is now flexible commercially in the investment and upgrade of the existing markets.

### **Dili Fresh Acquisition**

On 31 October 2019, the Company completed the acquisition of 19% equity interests in Million Master Investment Limited (“Million Master”). Million Master and its subsidiaries (collectively the “Dili Fresh”) operates through its PRC subsidiaries, the business of agricultural produce supermarket chain, fresh food chain and supply chain and logistics management in the PRC under the brand name of “Dili Fresh”. The total consideration for the acquisition is RMB950 million. The acquisition is a key milestone for the Group’s expansion into the downstream agricultural retail business. Since the completion of the acquisition of Dili Fresh, the Group has been working closely with Dili Fresh’s management team to create synergies for both parties, especially in the area of fresh produce sourcing. Collaborations between the Group and Dili Fresh will be announced later once details are finalized and agreed.

## FINANCIAL REVIEW

### Revenue

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

For the six months ended 30 June 2020, the Group recorded a consolidated revenue of approximately RMB689.3 million (six months ended 30 June 2019: RMB738.6 million), representing a decrease of 6.7% when compared with that of last corresponding period. The commission income decreased by 11.4% to RMB478.1 million in this period as compared to RMB539.8 million in last corresponding period while the lease income increased by 6.2% to RMB211.2 million in this period as compared to RMB198.8 million in last corresponding period.

The Group experienced challenging business operation conditions with the impact of coronavirus (“COVID-19”) pandemic, lockdowns and social distancing measures which resulted in temporary closures or shorten the operation hours of our agriculture wholesale markets. Hence, the transaction volumes decreased and commission income dropped accordingly. On the other hand, the lease income rose slightly by 6.2%.

|                   | Six months ended 30 June |                      | Change<br>RMB' million | Change<br>% |
|-------------------|--------------------------|----------------------|------------------------|-------------|
|                   | 2020<br>RMB' million     | 2019<br>RMB' million |                        |             |
| Commission income | 478.1                    | 539.8                | (61.7)                 | (11.4)      |
| Lease income      | 211.2                    | 198.8                | 12.4                   | 6.2         |
| Total             | 689.3                    | 738.6                | (49.3)                 | (6.7)       |

## FINANCIAL REVIEW (Continued)

### Revenue (Continued)

The analysis by agriculture wholesale markets:

|                                |      | Six months<br>ended 30 June |                         |                           |             |
|--------------------------------|------|-----------------------------|-------------------------|---------------------------|-------------|
|                                | Note | 2020<br>RMB'<br>million     | 2019<br>RMB'<br>million | Change<br>RMB'<br>million | Change<br>% |
| Hangzhou Fruit-products Market | (i)  | 72.4                        | 94.8                    | (22.3)                    | (23.5)      |
| Hangzhou Vegetable Market      | (i)  | 68.9                        | 74.4                    | (5.5)                     | (7.4)       |
| Hangzhou Seafood Market        | (ii) | 38.6                        | 34.9                    | 3.7                       | 10.7        |
| Shenyang Market                | (ii) | 183.1                       | 174.3                   | 8.8                       | 5.0         |
| Guiyang Market                 | (i)  | 67.5                        | 76.9                    | (9.4)                     | (12.3)      |
| Harbin Hada Market             | (i)  | 120.9                       | 145.8                   | (24.9)                    | (17.1)      |
| Qiqihar Hada Market            |      | 24.7                        | 24.0                    | 0.7                       | 2.7         |
| Muda Market                    |      | 20.6                        | 22.8                    | (2.2)                     | (9.6)       |
| Harbin Youyi Market            |      | 11.7                        | 12.2                    | (0.5)                     | (4.3)       |
| Shouguang Market               |      | 80.9                        | 78.5                    | 2.4                       | 3.1         |
| Total                          |      | <u>689.3</u>                | <u>738.6</u>            | <u>(49.3)</u>             | (6.7)       |

Notes:

- (i) The drop in revenue was mainly due to the decrease in the transaction volume with the impact of COVID-19 pandemic.
- (ii) The rise in revenue was due to increase in leased areas and the occupancy rate.

### Other Income

Other income mainly comprised market service fee income of RMB73.5 million (six months ended 30 June 2019: RMB78.3 million). The decrease in market service fee income was in line with the drop of the revenue.

### Administrative expenses

Administrative expenses mainly comprised staff cost, depreciation and donations. The increase was mainly due to the donations made by the Group to Wuhan amounted to RMB15.4 million to assist the families that have difficulties in the epidemic as well as to boost public hygiene for epidemic prevention.



## FINANCIAL REVIEW (*Continued*)

### Other operating expenses

Other operating expenses mainly comprised operating staff cost and utility charges during the six months ended 30 June 2020. The decrease was mainly due to the decrease in operating staff cost. Such decrease was mainly due to the decrease in staff bonus as well as government concession on contribution of social insurance funds.

### Finance income

Finance income mainly represented the interest income earned from loans to related parties and loans to third parties. The decrease was mainly due to the drop in the loans to third parties during the period.

### Finance expenses

Finance expenses mainly represented interest on lease liabilities and bank loans. The interest on lease liabilities amounted to RMB38.9 million for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB40.3 million).

### Liquidity and Financial Resources

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

The maturity profile of the Group's bank loans as at 30 June 2020 are repayable as follows:

|                                       | <b>30 June<br/>2020<br/>RMB'000</b> | <b>31 December<br/>2019<br/>RMB'000</b> |
|---------------------------------------|-------------------------------------|---|
| Within one year                       | <b>336,186</b>                      | 173,500                                 |
| After one year but within two years   | <b>113,280</b>                      | 142,680                                 |
| After two years but within five years | <b>198,800</b>                      | 141,000                                 |
| After five years                      | <b>–</b>                            | 16,000                                  |
|                                       | <b><u>648,266</u></b>               | <b><u>473,180</u></b>                   |

There was no material effect of seasonality on the Group's borrowing requirement. As at 30 June 2020, all the bank loans are denominated in RMB.

## **FINANCIAL REVIEW** *(Continued)*

### **Foreign Currency Risk**

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

All cash and bank balances of the Group denominated in Renminbi were placed in banks in Hong Kong and the PRC. Renminbi is not freely convertible and the remittance of earnings to overseas is subject to exchange control promulgated by the PRC government. All the revenue-generating operations of the Group are transacted in Renminbi. The Group also kept certain bank balances in Hong Kong which are denominated in US dollar or HK dollar. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of our subsidiaries (Renminbi) in the PRC and functional currency of the overseas group entities (Hong Kong dollar). Depreciation or appreciation of the Renminbi and Hong Kong dollar against foreign currencies can affect the Group's results. The Group currently does not maintain a foreign currency hedging policy. However, the Group's management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### **Capital Structure and Treasury Policy**

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

## FINANCIAL REVIEW (*Continued*)

### Use of Proceeds

As stated in the circular to the shareholders of the Company dated 25 June 2018, the Group had plans to use the proceeds obtained from the rights issue. The proceeds have been partially utilized and the residual balance is expected to be utilized on or before 31 December 2021. The amount used during the period ended 30 June 2020 and the residual balance to be used as at 30 June 2020 are as follows:

| <b>Proposed use of proceeds</b>  | <b>Residual<br/>balance as at<br/>1 January<br/>2020<br/><i>HKD million</i></b> | <b>Used during<br/>the period<br/><i>HKD million</i></b> | <b>Residual<br/>balance to be<br/>used as at<br/>30 June<br/>2020<br/><i>HKD million</i></b> |
|--|---|--|--|
| (i) For enlarging the trading hall and rental area of the markets  | 160   | (20)   | <b>140</b>   |
| (ii) For upgrading infrastructure facilities of the markets  | 100   | (9)  | <b>91</b>  |
| (iii) For developing and installing information software and data collection and analysis systems in the markets | 61  | –  | <b>61</b>  |
|  | <u>321</u>  | <u>(29)</u>  | <u><b>292</b></u>  |

### Charges on Assets

As at 30 June 2020, certain property and equipment and investment properties which had an aggregate carrying value of RMB1,198.1 million (as at 31 December 2019: RMB1,195.9 million) were pledged as securities for bank loans of the Group.

### Capital Commitment

As at 30 June 2020, the future capital expenditure for which the Group had contracted but not provided for amounted to approximately RMB40.8 million (as at 31 December 2019: RMB49.7 million).

### Contingent Liabilities

As at 30 June 2020, the Group provided financial guarantees to banks in respect of banking facilities granted to related parties amounted to RMB190.0 million, of which RMB145.0 million has been utilised by the related parties.

## **FINANCIAL REVIEW** *(Continued)*

### **Gearing Ratio**

The gearing ratio as at 30 June 2020, which was calculated by dividing the total bank loans and lease liabilities by total assets, was 16.41% (as at 31 December 2019: 15.15%).

### **Human Resources**

As at 30 June 2020, the Group employed 2,419 staff (as at 30 June 2019: 2,575 staff). The Group's employees are remunerated according to the job nature, individual performance and market trends with built-in merit components. Total remuneration for the six months ended 30 June 2020 was approximately RMB156.9 million as compared with RMB165.5 million for the six months ended 30 June 2019. We have established a training program that aims to support and encourage members of our management team to continue improving their management skills and develop their careers, including arranging for seminars. We provide orientation training as well as on-the-job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development. Employees in Hong Kong participate in Mandatory Provident Fund Scheme while employees in the PRC also participate in similar scheme.

### **Dividend**

The Board has resolved that there was no interim dividend declared for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

### **SHARE AWARD SCHEME**

A share award scheme was adopted by the Board on 28 August 2018 (the "Share Award Scheme") to (i) recognize the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group. An independent third party has been appointed as a trustee (the "Trustee") under the Share Award Scheme.

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the date of its adoption. Pursuant to the Share Award Scheme, the Trustee will purchase existing shares of the Company from the market or subscribe for new shares from the Company out of cash contributed by the Group and such shares will be held on trust for selected employees until such awarded shares are vested with the relevant selected employees. Vested shares will be transferred to the selected employees at no cost. At no point in time shall the Trustee be holding more than 5% of the total number of shares of the Company in issue under the Share Award Scheme. Details of the rules of the Share Award Scheme were set out in the announcement of the Company dated 28 August 2018.

## **SHARE AWARD SCHEME** *(Continued)*

Up to 30 June 2020, the Trustee had purchased a total of 123,796,200 existing shares of the Company from the market with a total cost of approximately RMB285.7 million. During the six months ended 30 June 2020, the Company has not issued any shares or granted any awarded shares under the Share Award Scheme to any selected employees.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, throughout the six months ended 30 June 2020.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for directors' securities transactions. Upon specific enquiry made by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2020.

## **AUDIT COMMITTEE**

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the CG Code. The primary duty of the audit committee is to review and supervise the financial reporting process, risk management and internal control systems of the Group. The audit committee comprises two independent non-executive directors and a non-executive director. The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2020.

On behalf of the Board  
**China Dili Group**  
**Wang Yan**  
*Chairman*

Hong Kong, 27 August 2020

*As at the date of this announcement, the Board of the Company consists of Mr. Wang Yan , Mr. Dai Bin and Ms. Qin Xiang as executive directors; Mr. Yin Jianhong and Ms. Yang Yuhua as non-executive directors; and Mr. Fan Ren-Da, Anthony, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man as independent non-executive directors.*