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# 中国地利集团 China Dili Group

(formerly known as Renhe Commercial Holdings Company Limited 人和商業控股有限公司\*)  
(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 1387)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019, together with the appropriate comparative figures as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2019 — unaudited

	Note	Six months ended 30 June	
		2019 RMB'000	2018 RMB'000 (Note)
Revenue	5	738,574	483,713
Other income		76,591	53,269
Net valuation gain on investment properties		27,144	—
Administrative expenses		(210,770)	(249,225)
Other operating expenses		(372,505)	(307,791)
<b>Profit/(loss) from operations</b>		<b>259,034</b>	<b>(20,034)</b>
Finance income		37,489	12,632
Finance expenses		(27,379)	(190)
Net finance income	6(b)	<u>10,110</u>	<u>12,442</u>

\* For identification purpose only

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS** *(Continued)*  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019 — unaudited**

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2019</b>	<b>2018</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
			<i>(Note)</i>
<b>Profit/(loss) before taxation</b>	6	<b>269,144</b>	(7,592)
Income tax	7	<u><b>(80,997)</b></u>	<u>(41,975)</u>
<b>Profit/(loss) for the period</b>		<u><b>188,147</b></u>	<u>(49,567)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>179,325</b>	(49,567)
Non-controlling interests		<u><b>8,822</b></u>	<u>–</u>
<b>Profit/(loss) for the period</b>		<u><b>188,147</b></u>	<u>(49,567)</u>
			(Restated)
<b>Basic and diluted earnings/(loss) per share</b>			
(RMB cents)	9	<u><b>3.20</b></u>	<u>(1.13)</u>

*Note:* The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

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

*FOR THE SIX MONTHS ENDED 30 JUNE 2019 — unaudited*

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<i>(Note)</i>
<b>Profit/(loss) for the period</b>	<b>188,147</b>	(49,567)
<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	<b>9,555</b>	14,184
<b>Total comprehensive income for the period</b>	<b>197,702</b>	(35,383)
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>188,880</b>	(35,383)
Non-controlling interests	<b>8,822</b>	–
<b>Total comprehensive income for the period</b>	<b>197,702</b>	(35,383)

*Note:* The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019 — unaudited

	<i>Note</i>	At 30 June 2019 <i>RMB'000</i>	At 31 December 2018 <i>RMB'000</i> <i>(Note)</i>
<b>Non-current assets</b>			
Property and equipment	10	2,310,270	1,952,043
Investment properties		479,600	446,500
Intangible assets		5,223,507	5,385,625
Goodwill		1,094,526	1,094,526
Other assets		–	29,035
Other receivables		27,360	–
Deferred tax assets		639	676
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>9,135,902</b>	8,908,405
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current assets</b>			
Inventories		40,142	35,604
Other receivables	11	1,317,928	1,255,940
Cash at bank and on hand		1,460,787	1,354,070
Other assets		–	35,286
		<hr/>	<hr/>
<b>Total current assets</b>		<b>2,818,857</b>	2,680,900
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Bank loans		225,500	198,500
Other payables	12	660,500	666,838
Lease liabilities		37,843	–
Taxation		129,471	122,543
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>1,053,314</b>	987,881
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net current assets</b>		<b>1,765,543</b>	1,693,019
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total assets less current liabilities</b>		<b>10,901,445</b>	10,601,424
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*  
*AT 30 JUNE 2019 — unaudited*

		<b>At 30 June</b>	At 31 December
		<b>2019</b>	2018
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
			<i>(Note)</i>
<b>Non-current liabilities</b>			
Bank loans		<b>325,680</b>	373,180
Lease liabilities		<b>310,759</b>	–
Deferred tax liabilities		<b>1,673,570</b>	1,711,492
Deferred income		<b>8,238</b>	3,205
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>2,318,247</b>	2,087,877
		<hr/> <hr/>	<hr/> <hr/>
<b>Net assets</b>		<b>8,583,198</b>	8,513,547
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>			
Share capital	<i>13</i>	<b>478,794</b>	478,794
Reserves		<b>7,989,752</b>	7,922,923
		<hr/>	<hr/>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>8,468,546</b>	8,401,717
<b>Non-controlling interests</b>		<b>114,652</b>	111,830
		<hr/>	<hr/>
<b>Total equity</b>		<b>8,583,198</b>	8,513,547
		<hr/> <hr/>	<hr/> <hr/>

*Note:* The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

## **NOTES:**

### **1. INDEPENDENT REVIEW**

The interim results for the six months ended 30 June 2019 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 29 August 2019.

Pursuant to a special resolution in relation to the change of company name duly passed at the extraordinary general meeting of the Company held on 24 May 2019, together with the approvals granted by the Registry of Companies in the Cayman Islands in respect of the change of company name and the adoption of dual foreign name on 29 May 2019 and 30 May 2019 respectively, the name of the Company has been changed from "Renhe Commercial Holdings Company Limited (人和商業控股有限公司)" to "China Dili Group (中国地利集团)".

### **3. PRINCIPAL ACCOUNTING POLICIES**

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the 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.

#### **IFRS 16, *Leases***

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC-15, *Operating leases — Incentives*, and SIC-27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied will be set out in the interim report.

## 5. REVENUE AND SEGMENT REPORTING

### (a) Disaggregation of revenue

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Commission income	539,783	353,065
<b>Revenue from other sources</b>		
Operating lease	198,791	130,648
	<u>738,574</u>	<u>483,713</u>

The Group's customer base is diversified and there is no customer with whose transactions have exceeded 10% of the Group's revenue for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

### (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/(LOSS) BEFORE TAXATION

### (a) Personnel expenses

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and other benefits	165,514	117,867
Contributions to defined contribution retirement plans	13,939	9,008
	<u>179,453</u>	<u>126,875</u>

(b) Net finance income

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
		(Note)
Finance income		
— Interest income on bank deposits	3,988	2,660
— Interest income on loans to third parties	33,413	9,627
— Net foreign exchange gain	88	345
	<u>37,489</u>	<u>12,632</u>
Finance expenses		
— Interest on bank loans	(16,689)	—
— Interest on lease liabilities	(8,713)	—
— Bank charges and others	(1,977)	(190)
	<u>(27,379)</u>	<u>(190)</u>
	<u>10,110</u>	<u>12,442</u>

(c) Other items

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
		(Note)
Depreciation		
— owned property and equipment	48,721	29,611
— right-of-use assets	24,817	—
Amortisation	162,166	162,166
Repairs and maintenance	9,434	24,993
Utility charges	25,131	28,216
Operating lease charges	57,593	65,792

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

## 7. INCOME TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
<b>Current tax</b>		
PRC Enterprise Income Tax		
Provision for the period	117,584	82,132
Under-provision in respect of prior years	1,298	1,099
	<u>118,882</u>	<u>83,231</u>
<b>Deferred tax</b>		
Reversal and origination of temporary difference	(37,885)	(41,256)
	<u>80,997</u>	<u>41,975</u>

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

## 8. DIVIDENDS

The Board resolved that there was no interim dividend declared attributable to the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## 9. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB179,325,000 (six months ended 30 June 2018: loss of RMB49,567,000) and the weighted average of 5,608,753,000 ordinary shares (six months ended 30 June 2018 (Restated): 4,396,610,000 ordinary shares) in issue during the six months ended 30 June 2019.

The weighted average number of ordinary shares during the six months ended 30 June 2018 for the purpose of calculating basic loss per share has been adjusted for the consolidation of shares on the basis that every ten issued and unissued shares being converted into one consolidated share which took place on 27 May 2019. Details of the share consolidation are set out in Note 13.

During the six months ended 30 June 2019 and 2018, diluted earnings/(loss) per share is calculated on the same basis as basic earnings/(loss) per share.

## 10. PROPERTY AND EQUIPMENT

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

The Group has initially applied IFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The net book value of the Group's right-of-use assets by class of underlying asset at 30 June 2019 was amounted to RMB348,050,000.

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

During the six months ended 30 June 2019, the Group acquired other property and equipment with a cost of RMB59,038,000 (six months ended 30 June 2018: RMB35,408,000). Other property and equipment with a net book value of RMB169,000 were disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB299,000), resulting in a gain on disposal of RMB561,000 (six months ended 30 June 2018: Nil).

## 11. OTHER RECEIVABLES

		At 30 June 2019	At 31 December 2018
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from related parties		399,122	400,048
Loans to third parties	<i>(i)</i>	593,311	572,274
Receivable for disposal of property and equipment	<i>(ii)</i>	182,512	181,794
Amounts due from a third party	<i>(iii)</i>	14,810	–
Others		128,173	101,824
		<u>1,317,928</u>	<u>1,255,940</u>

### (i) Loans to third parties

At 30 June 2019, all loans to third parties are secured by land and buildings or shares of a third party or guaranteed by third parties, which are subject to a fixed interest rate of 3% to 30% per annum. RMB407,906,000 of the loans to third parties had been settled as at the date of issuance of this announcement.

### (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 a supplemental agreement, the maturity date of the receivable is extended to 15 June 2020.

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

The amounts due from a third party are unsecured and non-interest bearing. As at 30 June 2019, RMB14,810,000 of receivables will be recovered within one year, and RMB27,360,000 will be recovered before 31 December 2023.

## 12. OTHER PAYABLES

	<i>Note</i>	<b>At 30 June 2019 RMB'000</b>	At 31 December 2018 RMB'000
Construction payables		<b>88,326</b>	82,885
Other taxes payable		<b>5,455</b>	5,261
Amounts due to related parties		<b>2,887</b>	10,892
Salary and welfare expenses payable		<b>30,394</b>	65,893
Professional service fee payables		<b>6,185</b>	6,302
Others		<b>39,119</b>	33,931
Financial liabilities measured at amortised cost		<b>172,366</b>	205,164
Receipt-in-advance		<b>154,199</b>	79,809
Deposits	<i>(i)</i>	<b>333,935</b>	381,865
		<b>660,500</b>	666,838

- (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 30 June 2019 '000	At 31 December 2018 '000	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
<b>Authorised:</b>				
At beginning of period/year				
Ordinary shares of HKD0.01 each	<b>150,000,000</b>	150,000,000		
Share Consolidation <i>(i)</i>	<b>(135,000,000)</b>	–		
At end of period/year				
Ordinary shares of HKD0.01 each	–	150,000,000		
Ordinary shares of HKD0.10 each	<b>15,000,000</b>	–		
<b>Issued and fully paid:</b>				
At beginning of period/year				
Ordinary shares of HKD0.01 each	<b>57,155,930</b>	43,966,100	<b>478,794</b>	366,604
Issue of shares under rights issue <i>(ii)</i>	–	13,189,830	–	112,190
Share Consolidation <i>(i)</i>	<b>(51,440,337)</b>	–	–	–
At end of period/year				
Ordinary shares of HKD0.01 each	–	57,155,930	–	478,794
Ordinary shares of HKD0.10 each	<b>5,715,593</b>	–	<b>478,794</b>	–

**(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 existing 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.

**(ii) Rights issue**

During the year ended 31 December 2018, the Group proposed issuance of rights shares at a subscription price of HKD0.163 each on the basis of three rights shares for every ten existing shares held on 8 June 2018 (the “Rights Issue”). On 17 July 2018, a total number of 13,189,830,130 shares, with par value of HKD0.01 each, had been issued. The proceeds raised from the Rights Issue were RMB1,828,698,000.

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

On 29 August 2019, Yield Smart Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, and Plenty Business Holdings Limited (the “Vendor”), a company wholly owned by Mr. Dai Yongge, the controlling shareholder of the Company, entered into an acquisition agreement for the sale and purchase of 19% of the entire issued share capital of the Million Master Investment Limited (the “Target Company”), a company incorporated in the BVI with limited liability and a directly wholly-owned subsidiary of the Vendor (the “Acquisition”). The Target Company operates through its PRC subsidiaries, the businesses of agricultural produce supermarket chain, 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 (equivalent to approximately HKD1.1 billion), of which RMB400 million (equivalent to approximately HKD443.1 million) has previously been paid as the deposit.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Business Review

<b>Agricultural Wholesale Market</b>	<b>Location</b>	<b>Total Gross Floor Area (sq.m.)</b>	<b>Revenue Six months ended 30 June 2019 RMB'million</b>
Harbin Hada Agricultural Produce Market	Harbin city, Heilongjiang province	185,035 (Note)	145.8
Qiqihar Hada Agricultural Produce Market	Qiqihar city, Heilongjiang province	49,106 (Note)	24.0
Muda International Agricultural Produce Logistic Park	Mudanjiang city, Heilongjiang province	116,758 (Note)	22.8
Harbin Youyi Agricultural Produce Market	Harbin city, Heilongjiang province	17,952 (Note)	12.2
Shenyang Shouguang Dili Agricultural Produce and Side Products Market	Shenyang city, Liaoning province	235,123 (Note)	174.3
China Shouguang Agricultural Produce Logistic Park	Shouguang city, Shandong province	537,003	78.5
Hangzhou Fruit-products Market	Hangzhou city, Zhejiang province	104,320	94.8
Hangzhou Vegetable Market	Hangzhou city, Zhejiang province	44,928	74.4
Hangzhou Seafood Market	Hangzhou city, Zhejiang province	95,769	34.9
Guiyang Agricultural Produce Logistic Park	Guiyang city, Guizhou province	173,620	76.9
<b>Total</b>		<u>1,559,614</u>	<u>738.6</u>

*Note:* Including property leased from the associated entity controlled by the Group's controlling shareholder and property leased from independent third party.

## **Hada Acquisition**

In 2018, the Group announced and our shareholders approved the acquisition from an associate of our controlling shareholders for the land and properties on which the then 7 existing agriculture wholesale markets of the Group operated, for a consideration of RMB5.4 billion (the “Hada Acquisition”).

Completion of the Hada Acquisition is still pending on satisfaction (or waiver, if applicable) of all conditions precedent as at the date of this announcement. The original long stop date for the completion of the Hada Acquisition was 31 December 2018. The parties to the Hada Acquisition have agreed to extend such long stop date to 30 June 2019 and agreed to further extend such long stop date to 30 September 2019. Announcements for these extensions have been made on 27 December 2018 and 26 June 2019 respectively.

## **Dili Fresh Acquisition**

The Company also made an announcement on 11 September 2018 in respect of a potential acquisition of the equity stake in a company (the “Target Company”) held by an associate of our controlling shareholder. The Target Company is principally engaged in the agriculture product wholesale and retail operations in China.

For the purpose of this potential acquisition, a non-legally binding memorandum of understanding was entered into among a subsidiary of the Company, an associate of our controlling shareholder (the “Potential Seller”) and the Target Company, pursuant to which the Group has paid an aggregate sum of RMB400 million as deposit to the Potential Seller and the Target Company (the “Deposit”) in return for a 180-day exclusive period (the “Exclusivity Period”) for considering this acquisition. Deposit made would be fully refundable if no formal agreement could be reached upon expiry of the Exclusivity Period or if the potential acquisition could not complete.

On 7 March 2019, a further announcement was made to extend the Exclusivity Period for another 180 days (the “Extension”). No further deposit was made for the Extension and the Deposit paid is still being held by the Potential Seller and the Target Company respectively. The Group has entered into a formal sale and purchase agreement on 29 August 2019 with an associate of the controlling shareholder of the Company to acquire 19% stake in the target company for a consideration of RMB950 million (equivalent to approximately HKD1.1 billion). Details of the Dili Fresh Acquisition are set out in the announcement of the Company dated 29 August 2019.

## **Share Consolidation**

On 26 April 2019, the Board proposed that every ten issued and unissued existing shares of HKD0.01 each in the share capital of the Company be consolidated into one consolidated share of HKD0.10 each (the “Share Consolidation”). The Share Consolidation had been approved by the shareholders at the extraordinary general meeting held on 24 May 2019. 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. Details of the Share Consolidation are set out in the circular of the Company dated 2 May 2019.

## 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.

With the consolidation of the Hangzhou markets after the completion of acquisition on 24 July 2018, the Group recorded a consolidated revenue of approximately RMB738.6 million for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB483.7 million), representing an increase of about 52.7% when compared with that of last corresponding period. The commission income increased by 52.9% to RMB539.8 million in this period as compared to RMB353.1 million in last corresponding period while the lease income also increased by 52.2% to RMB198.8 million in this period as compared to RMB130.6 million in last corresponding period.

	Six months ended 30 June		Change RMB'million	Change %
	2019 RMB'million	2018 RMB'million		
Commission income	<b>539.8</b>	353.1	186.7	52.9
Lease income	<b>198.8</b>	130.6	68.2	52.2
Total	<b><u>738.6</u></b>	<u>483.7</u>	<u>254.9</u>	52.7

The analysis by agriculture wholesale markets:

	<i>Note</i>	<b>Six months ended 30 June</b>		<b>Change</b> <i>RMB'million</i>	<b>Change</b> <i>%</i>
		<b>2019</b> <i>RMB'million</i>	<b>2018</b> <i>RMB'million</i>		
Harbin Hada Agricultural Produce Market		<b>145.8</b>	152.3	(6.5)	(4.3)
Qiqihar Hada Agricultural Produce Market	(i)	<b>24.0</b>	8.1	15.9	196.3
Muda International Agricultural Produce Logistic Park		<b>22.8</b>	22.7	0.1	0.4
Harbin Youyi Agricultural Produce Market		<b>12.2</b>	11.9	0.3	2.5
Shenyang Shouguang Dili Agricultural Produce and Side Products Market	(ii)	<b>174.3</b>	137.7	36.6	26.6
China Shouguang Agricultural Produce Logistic Park		<b>78.5</b>	78.1	0.4	0.5
Hangzhou Fruit-products Market		<b>94.8</b>	–	94.8	–
Hangzhou Vegetable Market		<b>74.4</b>	–	74.4	–
Hangzhou Seafood Market		<b>34.9</b>	–	34.9	–
Guiyang Agricultural Produce Logistic Park		<b>76.9</b>	72.9	4.0	5.5
<b>Total</b>		<b><u>738.6</u></b>	<b><u>483.7</u></b>	<b><u>254.9</u></b>	<b>52.7</b>

*Notes:*

- (i) The rise in revenue was due to keen market competition in Qiqihar city in last corresponding period, but it was recovered in this period.
- (ii) The rise in revenue was due to increase in leased areas and commission income.

## **Other Income**

Other income mainly comprised market service fee income of RMB78.3 million (six months ended 30 June 2018: RMB53.2 million). The increase was mainly due to the acquisition of Hangzhou operations in July 2018.

## **Administrative expenses**

Administrative expenses mainly comprised staff cost, depreciation and trip expenses. Such expenses were substantially reduced mainly due to the significant reduction in expenses incurred from the maintenance and usage of two aircrafts, which were resulted from the disposal of two aircrafts in December 2018. The related expenses arising from such aircrafts amounted to approximately RMB63.6 million for the six months ended 30 June 2018.

## **Other operating expenses**

Other operating expenses mainly consisted of amortization of intangible assets of RMB162.2 million (six months ended 30 June 2018: RMB162.2 million) arose from the acquisition of the agriculture business in 2015 and the operating lease expenses of RMB51.2 million (for the six months ended 30 June 2018: RMB49.6 million) for leasing the properties (including land and buildings) to facilitate the on-going operations of the agriculture business in accordance with the Framework Lease Agreement entered during the acquisition of the agriculture business.

## **Finance income**

Finance income mainly represented the interest income earned from bank deposits and loans to third parties. The increase was mainly due to improvement of cash flow and there is excess funding for the Group during the period.

## **Finance expenses**

Finance expenses mainly represented bank interest and charges. The increase was due to the bank loans interest expenses of the Hangzhou operations acquired in July 2018.

## **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 2019 are repayable as follows:

	<b>30 June 2019 RMB'000</b>	31 December 2018 RMB'000
Within one year	<b>225,500</b>	198,500
After one year but within two years	<b>51,000</b>	73,500
After two years but within five years	<b>242,680</b>	242,680
After five years	<b>32,000</b>	57,000
	<b><u>551,180</u></b>	<u>571,680</u>

There was no material effect of seasonality on the Group's borrowing requirement. As at 30 June 2019, all the bank loans are denominated in RMB.

### 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

On 26 April 2019, the Board proposed that every ten issued and unissued existing shares of HKD0.01 each in the share capital of the Company be consolidated into one consolidated share of HKD0.10 each. The Share Consolidation had been approved by the shareholders at the extraordinary general meeting held on 24 May 2019. 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. Details of the Share Consolidation are detailed in the circular of the Company dated 2 May 2019.

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.

## 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 2019 and the residual balance to be used as at 30 June 2019 are as follows:

	Residual balance as at 1 January 2019 <i>HKD million</i>	Used during the period <i>HKD million</i>	Residual balance to be used as at 30 June 2019 <i>HKD million</i>
Proposed use of proceeds			
(i) Finance the Hangzhou Acquisition	–	–	–
(ii) For enlarging the trading hall and rental area of the markets	300	(61)	239
(iii) For upgrading infrastructure facilities of the markets	125	(9)	116
(iv) For developing and installing information software and data collection and analysis systems in the markets	65	(1)	64
(v) General working capital	133	(97)	36
	<u>623</u>	<u>(168)</u>	<u>455</u>

## **Charges on Assets**

As at 30 June 2019, certain property and equipment and investment properties which had an aggregate carrying value of RMB1,306.2 million were pledged as securities for bank loans of the Group.

## **Capital Commitment**

As at 30 June 2019, the future capital expenditure for which the Group had contracted but not provided amounted to approximately RMB44.4 million (as at 31 December 2018: amounted to RMB16.8 million).

## **Contingent Liabilities**

As at 30 June 2019, the Group had no material contingent liabilities.

## **Gearing Ratio**

The gearing ratio as at 30 June 2019, which is calculated by dividing the total bank loans and lease liabilities by total assets was 7.53% (as at 31 December 2018: 4.93%).

## **Human Resources**

As at 30 June 2019, the Group employed 2,575 staff (as at 30 June 2018: 2,074 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 2019 was approximately RMB165.5 million as compared with RMB117.9 million for the six months ended 30 June 2018. 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 2019 (six months ended 30 June 2018: 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.

Up to 30 June 2019, the Trustee had purchased a total of 112,562,200 existing shares of the Company from the market with a total cost of approximately RMB260.8 million. During the six months ended 30 June 2019, 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 2019.

#### **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 2019.

#### **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 2019.

## 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 2019.

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

Hong Kong, 29 August 2019

*As at the date of this announcement, the Board of the Company consists of Mr. Wang Yan and Mr. Dai Bin 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.*