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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

FINANCIAL HIGHLIGHTS	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> <i>(Note)</i>
Revenue	1,421,019	1,128,654
Profit/(loss) for the year	570,455	(348,601)
Profit/(loss) attributable to equity shareholders of the Company	557,285	(360,901)
Basic and diluted earnings/(loss) per share <i>(RMB cents)</i>	9.94	(7.23) <i>(Restated)</i>

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.

* For identification purpose only

The board of directors (the “Board”) of China Dili Group (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019, together with the appropriate comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	<i>Note</i>	2019 RMB'000	2018 RMB'000 <i>(Note)</i>
Revenue	3	<u>1,421,019</u>	<u>1,128,654</u>
Other income/(expenses)	4	121,920	(59,435)
Net valuation gain on investment properties	10(a)	243,422	13,500
Administrative expenses		(622,671)	(703,134)
Other operating expenses		<u>(314,278)</u>	<u>(691,339)</u>
Profit/(loss) from operations		<u>849,412</u>	<u>(311,754)</u>
Finance income		72,495	74,319
Finance expenses		<u>(116,457)</u>	<u>(17,490)</u>
Net finance (expenses)/income	5(b)	<u>(43,962)</u>	<u>56,829</u>
Profit/(loss) before taxation	5	805,450	(254,925)
Income tax	6	<u>(234,995)</u>	<u>(93,676)</u>
Profit/(loss) for the year		<u>570,455</u>	<u>(348,601)</u>
Attributable to:			
Equity shareholders of the Company		557,285	(360,901)
Non-controlling interests		<u>13,170</u>	<u>12,300</u>
Profit/(loss) for the year		<u>570,455</u>	<u>(348,601)</u>
			(Restated)
Basic and diluted earnings/(loss) per share <i>(RMB cents)</i>	8	<u>9.94</u>	<u>(7.23)</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 year ended 31 December 2019

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> <i>(Note)</i>
Profit/(loss) for the year	570,455	(348,601)
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	<u>34,684</u>	<u>135,838</u>
Total comprehensive income for the year	<u>605,139</u>	<u>(212,763)</u>
Attributable to:		
Equity shareholders of the Company	591,969	(225,063)
Non-controlling interests	<u>13,170</u>	<u>12,300</u>
Total comprehensive income for the year	<u>605,139</u>	<u>(212,763)</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 FINANCIAL POSITION

At 31 December 2019

		31 December 2019	31 December 2018
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i> (<i>Note</i>)
Non-current assets			
Property and equipment	9	4,778,359	1,952,043
Investment properties	10	4,768,900	446,500
Intangible assets	11	12,630	5,385,625
Goodwill	12	1,094,526	1,094,526
Other assets	13	927,677	29,035
Other receivables	14	255,460	–
Deferred tax assets		601	676
		<hr/>	<hr/>
Total non-current assets		11,838,153	8,908,405
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		44,337	35,604
Other receivables	14	948,968	1,255,940
Cash at bank and on hand		671,619	1,354,070
Other assets	13	2,262	35,286
		<hr/>	<hr/>
Total current assets		1,667,186	2,680,900
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Bank loans		173,500	198,500
Other payables	15	860,281	666,838
Lease liabilities	16	125,617	–
Taxation		114,698	122,543
		<hr/>	<hr/>
Total current liabilities		1,274,096	987,881
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net current assets		393,090	1,693,019
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets less current liabilities		12,231,243	10,601,424
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*At 31 December 2019*

		31 December 2019	31 December 2018
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Note)</i>
Non-current liabilities			
Bank loans		299,680	373,180
Lease liabilities	<i>16</i>	1,447,037	–
Deferred tax liabilities		1,657,844	1,711,492
Deferred income		2,404	3,205
		<hr/>	<hr/>
Total non-current liabilities		3,406,965	2,087,877
		<hr/>	<hr/>
Net assets		8,824,278	8,513,547
		<hr/>	<hr/>
Capital and reserves			
Share capital	<i>17</i>	478,794	478,794
Reserves		8,134,133	7,922,923
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		8,612,927	8,401,717
Non-controlling interests		211,351	111,830
		<hr/>	<hr/>
Total equity		8,824,278	8,513,547
		<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. GENERAL INFORMATION

China Dili Group (the “Company”) was incorporated in the Cayman Islands on 20 November 2007 and registered as an exempted company with limited liability under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together referred to as the “Group”) are principally engaged in the operation of agriculture wholesale markets in the People’s Republic of China (the “PRC”).

On 24 July 2018, Yield Smart Limited (“Yield Smart”), wholly-owned subsidiary of the Company, has acquired the entire issued share capital of Wise Path Holdings Limited, a company incorporated in the British Virgin Islands (the “BVI”), in turn to acquire the fruit, vegetables and seafood wholesale markets businesses (the “Hangzhou Business”), in Hangzhou, the PRC (the “Hangzhou Acquisition”).

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)”.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. The information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements is provided as below.

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. 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.

2. STATEMENT OF COMPLIANCE (Continued)

Changes in Accounting Policies (Continued)

IFRS 16, Leases (Continued)

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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 are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property and equipment.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.9%.

2. STATEMENT OF COMPLIANCE (Continued)

Changes in Accounting Policies (Continued)

IFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact (Continued)

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

- (i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 <i>RMB'000</i>
Operating lease commitments at 31 December 2018, net of tax	2,454,937
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	<u>(8,933)</u>
	2,446,004
Less: total future interest expenses	<u>(773,494)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	<u>1,672,510</u>
Total lease liabilities recognised at 1 January 2019	<u><u>1,672,510</u></u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

2. STATEMENT OF COMPLIANCE (Continued)

Changes in Accounting Policies (Continued)

IFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact (Continued)

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Recognition of right-of-use assets based on lease liabilities RMB'000	Transfer from intangible assets for favourable term lease contract RMB'000	Transfer from property and equipment for leasehold improvement used as investment properties RMB'000	Fair value adjustment for right-of-use assets accounted for as investment properties RMB'000	Carrying amount at 1 January 2019 RMB'000 (F=A+B+C+D+E)
	(A)	(B)	(C) <i>(Note 1)</i>	(D)	(E) <i>(Note 2)</i>	
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:						
Property and equipment	1,952,043	829,664	1,878,911	(28,886)	–	4,631,732
Investment properties	446,500	849,543	3,494,360	28,886	(317,189)	4,502,100
Intangible asset	5,385,625	–	(5,373,271)	–	–	12,354
Total non-current assets	8,908,405	1,679,207	–	–	(317,189)	10,270,423
Other receivables	1,255,940	(6,697)	–	–	–	1,249,243
Total current assets	2,680,900	(6,697)	–	–	–	2,674,203
Lease liabilities (current)	–	153,194	–	–	–	153,194
Total current liabilities	987,881	153,194	–	–	–	1,141,075
Net current assets	1,693,019	(159,891)	–	–	–	1,533,128
Total assets less current liabilities	10,601,424	1,519,316	–	–	(317,189)	11,803,551
Lease liabilities (non-current)	–	1,519,316	–	–	–	1,519,316
Deferred tax liabilities	1,711,492	–	–	–	(79,297)	1,632,195
Total non-current liabilities	2,087,877	1,519,316	–	–	(79,297)	3,527,896
Net assets	8,513,547	–	–	–	(237,892)	8,275,655

2. STATEMENT OF COMPLIANCE (Continued)

Changes in Accounting Policies (Continued)

IFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact (Continued)

Note 1: IFRS 16 makes consequential amendments to IFRS 3 *Business Combinations*. If a lessee previously recognised an intangible asset for a favourable operating lease, then it derecognises that asset on transition to IFRS 16. The Group recognised intangible assets for favourable term lease agreements in the year 2015, which was derecognised on transition to IFRS 16 (see Note 11).

Note 2: Under IFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation (“leasehold investment properties”). In prior years, the Group did not elect to apply IAS 40, *Investment Property*, to any of its leasehold investment properties (such election was permitted to be made on a property-by-property basis). On transition to IFRS 16, the Group as the lessee is required to re-measure the leasehold investment properties to their fair value based on the remaining leasehold interest and the lease liability (if any) under the applicable transition requirements of IFRS 16, with the net change recognised as an adjustment to the opening balance of equity (see Note 10).

The transitional impact of the adoption of IFRS 16 on the Group’s consolidated statement of financial position as at 1 January 2019 was different from that previously reported in the 2019 interim financial report issued by the Company on 29 August 2019.

On 5 June 2018, Yield Smart, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with New Amuse Limited (“New Amuse”) under which it conditionally agreed to acquire and New Amuse conditionally agreed to sell the entire issued share capital of United Progress Group Limited (“United Progress”) which is a wholly-owned subsidiary of New Amuse (the “Hada Acquisition”). At the time of preparing the Company’s interim financial report for the period ended 30 June 2019, the management of the Company considered that certain lease agreements entered into with the subsidiaries of United Progress would be terminated upon the completion of the Hada Acquisition, which was expected to take place during the year ended 31 December 2019. 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 and did not recognise any associated lease liabilities and right-of-use assets for these leases at that date.

Subsequent to the issuance of the interim financial report, as disclosed in the Company’s announcements dated 30 September and 27 December 2019, the Company was informed by New Amuse that certain conditions precedents were yet to be satisfied and the completion of the Hada Acquisition would not take place on 31 December 2019. The Company and New Amuse are in discussions of alternative transaction structures and/or revisions of the scope of the Hada Acquisition. In light of these development, 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 not 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. The table below summarised the impacts on the transitional amounts compared to those disclosed in the interim financial report.

2. STATEMENT OF COMPLIANCE (Continued)

Changes in Accounting Policies (Continued)

IFRS 16, Leases (Continued)

b. Lessee accounting and transitional impact (Continued)

	As at 1 January 2019	
	As disclosed in interim financial report RMB'000	As disclosed in annual financial statements RMB'000
Consolidated Statement of Financial Position		
Non-current assets		
Property and equipment	2,324,910	4,631,732
Investment properties	446,500	4,502,100
Intangible assets	5,385,625	12,354
Current liabilities		
Lease liabilities	36,383	153,194
Non-current liabilities		
Lease liabilities	329,787	1,519,316
Deferred tax liabilities	1,711,492	1,632,195
Net assets	8,513,547	8,275,655

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the period.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

2. STATEMENT OF COMPLIANCE (Continued)

Changes in Accounting Policies (Continued)

IFRS 16, Leases (Continued)

c. Impact on the financial result, segment results and cash flows of the Group (Continued)

	2019					2018	
	Amounts reported under IFRS 16 (A) RMB'000	Add back: IFRS 16 depreciation and interest expense related to right-of-use assets based on lease liabilities (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under IAS 17 (C) RMB'000 (Note 1)	Deduct: Amortisation of intangible assets for a favourable operating lease (D) RMB'000	Deduct: Fair value change for leasehold investment property (E) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (F=A+B-C-D-E) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:							
Net valuation gain on investment properties	243,422	–	–	–	184,565	58,857	13,500
Administrative expenses	(622,671)	169,154	15,451	–	1,380	(470,348)	(703,134)
Other operating expenses	(314,278)	19,409	166,409	324,333	–	(785,611)	(691,339)
Profit/(loss) from operations	849,412	188,563	181,860	324,333	185,945	345,837	(311,754)
Finance expenses	(116,457)	79,858	–	–	–	(36,599)	(17,490)
Profit/(loss) before taxation	805,450	268,421	181,860	324,333	185,945	381,733	(254,925)
Income tax	(234,995)	(27,076)	–	(81,083)	(46,486)	(134,502)	(93,676)
Profit/(loss) for the year	570,455	241,345	181,860	243,250	139,459	247,231	(348,601)

2. STATEMENT OF COMPLIANCE (Continued)

Changes in Accounting Policies (Continued)

IFRS 16, Leases (Continued)

c. Impact on the financial result, segment results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under IFRS 16 (A) RMB'000	Estimated amounts related to operating leases as if under IAS 17 (B) RMB'000 (Notes 1 & 2)	Hypothetical amounts for 2019 as if under IAS 17 (C=A+B) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from/(used in) operating activities	1,086,189	(181,860)	904,329	(107,312)
Net cash generated from/(used in) operating activities	869,073	(181,860)	687,213	(276,920)
Capital element of lease rentals paid	(102,002)	102,002	–	–
Interest element of lease rentals paid	(79,858)	79,858	–	–
Net cash (used in)/generated from financing activities	(369,142)	181,860	(187,282)	1,653,034

Note 1: The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still been applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still been applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 had still been applied.

d. Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group’s financial statements in this regard.

3. REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Commission income	1,009,960	810,572
Revenue from other sources		
Operating lease	<u>411,059</u>	<u>318,082</u>
	<u>1,421,019</u>	<u>1,128,654</u>

The Group's customer base is diversified and there is no customer with whose transactions have exceeded 10% of the Group's revenue during the year (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 PRC, therefore no geographical segment reporting is presented.

4. OTHER INCOME/(EXPENSES)

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Market service fee income	151,172	126,845
Loss on disposal of property and equipment	(12,835)	(189,223)
Government grants	5,055	1,822
Net realised and unrealised loss on financial assets measured at FVPL	(21,865)	(3,018)
Others	<u>393</u>	<u>4,139</u>
	<u>121,920</u>	<u>(59,435)</u>

5. PROFIT/(LOSS) BEFORE TAXATION

(a) Personnel expenses

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Wages, salaries and other benefits	381,639	349,221
Contributions to defined contribution retirement plans	27,257	22,538
	<u>408,896</u>	<u>371,759</u>

(b) Net finance (expenses)/income

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i> <i>(Note)</i>
Finance income		
— Interest income on bank deposits	9,722	7,549
— Interest income on loans to third parties	62,773	65,616
— Net foreign exchange gain	—	1,154
	<u>72,495</u>	<u>74,319</u>
Finance expenses		
— Interest on bank loans	(32,266)	(16,368)
— Interest on lease liabilities	(79,858)	—
— Bank charges and others	(2,204)	(1,122)
— Net foreign exchange loss	(2,129)	—
	<u>(116,457)</u>	<u>(17,490)</u>
	<u>(43,962)</u>	<u>56,829</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. See Note 2.

5. PROFIT/(LOSS) BEFORE TAXATION (Continued)

(c) Other items

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Depreciation		
— owned property and equipment*	80,530	84,582
— right-of-use assets*	204,944	—
Amortisation	—	324,333
Repairs and maintenance	31,486	37,502
Utility charges	40,910	46,830
Operating lease expenses relating to short-term leases waived from IFRS 16	8,933	—
Operating lease charges under IAS 17	—	140,331
Auditors' remuneration	5,000	14,538

* The Group has initially applied IFRS 16 using the modified retrospective approach 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. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 2(c).

6. INCOME TAX

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

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax		
Provision for the year	207,974	174,661
Under-provision in respect of prior years	1,297	1,140
	<u>209,271</u>	<u>175,801</u>
Deferred tax		
Reversal and origination of temporary difference	25,724	(82,125)
	<u>234,995</u>	<u>93,676</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% (2018: 25%).
- (ii) Pursuant to the rules and regulations of the Cayman Islands and 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 year.

7. DIVIDENDS

- (i) Dividends payable to equity shareholders of the Company attributable to the year

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

The directors of the Company did not approve or pay any dividend in respect of the previous financial year during the year (2018: Nil).

8. 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 RMB557,285,000 (2018: loss of RMB360,901,000) and the weighted average of 5,605,196,000 ordinary shares (2018 (Restated): 4,990,844,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2019 '000	2018 '000 (Restated)
Issued ordinary shares at 1 January	5,715,593	4,396,610
Effect of shares issued under rights issue	–	607,094
Effect of shares held for share award scheme	<u>(110,397)</u>	<u>(12,860)</u>
Weighted average number of ordinary shares at 31 December	<u>5,605,196</u>	<u>4,990,844</u>

The weighted average number of ordinary shares during the year ended 31 December 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 17.

During the years ended 31 December 2019 and 2018, diluted earnings/(loss) per share is calculated on the same basis as basic earnings/(loss) per share.

9. PROPERTY AND EQUIPMENT

(a) Reconciliation of carrying amount

	Land and Buildings RMB'000 (i)	Other properties leased for own use and leasehold improvements carried at cost RMB'000	Machinery equipment RMB'000	Office equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Under construction RMB'000	Total RMB'000
Cost								
At 1 January 2018	–	–	45,662	63,162	585,078	123,465	108,588	925,955
Exchange reserve	–	–	–	724	27,860	–	–	28,584
Acquisition of business	1,583,114	–	2,278	8,827	7,292	164	839	1,602,514
Additions	–	–	17,743	6,752	8,284	23,196	38,515	94,490
Disposals	–	–	(653)	(2,573)	(591,254)	–	–	(594,480)
Transfer from under construction	–	–	8,523	1,070	–	118,229	–	127,822
Transfer to property and equipment	–	–	–	–	–	–	(127,822)	(127,822)
At 31 December 2018	1,583,114	–	73,553	77,962	37,260	265,054	20,120	2,057,063
Impact on initial application of IFRS 16 (Note)								
— Recognition of right-of-use assets based on lease liabilities	–	829,664	–	–	–	–	–	829,664
— Transfer from intangible assets (Note 11)	–	1,878,911	–	–	–	–	–	1,878,911
— Transfer to investment properties (Note 10)	–	–	–	–	–	(29,549)	(1,342)	(30,891)
— Transfer to right-of-use assets for leasehold improvements	–	253,708	–	–	–	(235,505)	(18,203)	–
At 1 January 2019	1,583,114	2,962,283	73,553	77,962	37,260	–	575	4,734,747
Exchange reserve	–	301	–	361	427	–	–	1,089
Additions	–	167,753	1,940	5,238	915	–	277,855	453,701
Disposals	(4,070)	(21,894)	(1,128)	(15,430)	(6,049)	–	–	(48,571)
Transfer from under construction	–	–	610	3,440	–	–	–	4,050
Transfer to property and equipment	–	–	–	–	–	–	(4,050)	(4,050)
At 31 December 2019	1,579,044	3,108,443	74,975	71,571	32,553	–	274,380	5,140,966

9. PROPERTY AND EQUIPMENT (Continued)

(a) Reconciliation of carrying amount (Continued)

	Land and Buildings RMB'000	Other properties leased for own use and leasehold improvements carried at cost RMB'000	Machinery equipment RMB'000	Office equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Under construction RMB'000	Total RMB'000
Accumulated depreciation								
At 1 January 2018	–	–	8,053	24,799	206,468	5,215	–	244,535
Exchange reserve	–	–	–	551	9,894	–	–	10,445
Charge for the year	23,500	–	6,035	10,403	31,642	13,002	–	84,582
Written back on disposals	–	–	(267)	(2,488)	(231,787)	–	–	(234,542)
At 31 December 2018	<u>23,500</u>	<u>–</u>	<u>13,821</u>	<u>33,265</u>	<u>16,217</u>	<u>18,217</u>	<u>–</u>	<u>105,020</u>
Impact on initial application of IFRS 16 (Note)								
— Transfer to investment properties (Note 10)	–	–	–	–	–	(2,005)	–	(2,005)
— Transfer to right-of-use assets for leasehold improvements	–	16,212	–	–	–	(16,212)	–	–
At 1 January 2019	23,500	16,212	13,821	33,265	16,217	–	–	103,015
Exchange reserve	–	–	–	300	319	–	–	619
Charge for the year	56,257	204,944	7,430	13,287	3,556	–	–	285,474
Written back on disposals	(3,867)	(2,114)	(908)	(13,699)	(5,913)	–	–	(26,501)
At 31 December 2019	<u>75,890</u>	<u>219,042</u>	<u>20,343</u>	<u>33,153</u>	<u>14,179</u>	<u>–</u>	<u>–</u>	<u>362,607</u>
Net book value								
At 31 December 2018	<u>1,559,614</u>	<u>–</u>	<u>59,732</u>	<u>44,697</u>	<u>21,043</u>	<u>246,837</u>	<u>20,120</u>	<u>1,952,043</u>
At 31 December 2019	<u>1,503,154</u>	<u>2,889,401</u>	<u>54,632</u>	<u>38,418</u>	<u>18,374</u>	<u>–</u>	<u>274,380</u>	<u>4,778,359</u>

- (i) At 31 December 2019, certain of land and buildings with an aggregate carrying value of RMB700,815,000 were pledged as securities for bank loans of the Group.

Note: The Group has initially applied IFRS 16 using the modified retrospective approach 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. See Note 2.

9. PROPERTY AND EQUIPMENT (Continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	<i>Note</i>	31 December 2019 RMB'000	1 January 2019 RMB'000
Other properties leased for own use and leasehold improvement, carried at depreciated cost	(i)	<u>2,889,401</u>	<u>2,946,071</u>

(i) *Other properties leased for own use*

The Group has obtained the right to use other properties as its agricultural wholesale markets and offices through tenancy agreements. The leases typically run for an initial period of 2 to 20 years. Lease payments are usually increased every 3 years to reflect market rentals.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	<i>Note</i>	2019 RMB'000	2018 RMB'000 (Note)
Depreciation charge of right-of-use assets by class of underlying asset:			
Leased agricultural wholesale markets		189,946	–
Leased offices		14,998	–
	5(c)	<u>204,944</u>	<u>–</u>
Interest on lease liabilities	5(b)	79,858	–
Operating lease expenses relating to short-term leases waived from IFRS 16	5(c)	8,933	–
Operating lease charges under IAS 17	5(c)	–	140,331
		<u>–</u>	<u>140,331</u>

Note: The Group has initially applied IFRS 16 using the modified retrospective approach 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. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 2.

During the year, additions to right-of-use assets were RMB167,753,000 which primarily related to the capitalised lease payments payable under new tenancy agreements and construction in relation to leasehold improvements.

10. INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	<i>Note</i>	Ownership interests in land and buildings RMB'000	Other properties leased RMB'000	Total RMB'000
At fair value:				
At 1 January 2018		–	–	–
Acquisition of business		433,000	–	433,000
Fair value adjustment		13,500	–	13,500
		<u>446,500</u>	<u>–</u>	<u>446,500</u>
At 31 December 2018		<u>446,500</u>	<u>–</u>	<u>446,500</u>
Impact on initial application of IFRS 16				
— Transfer from intangible asset				
for favourable term lease contract	<i>11</i>	–	3,494,360	3,494,360
— Transfer from property and equipment	<i>9</i>	–	28,886	28,886
— Recognition of right-of-use assets				
based on lease liabilities		–	849,543	849,543
— Fair value adjustment		–	(317,189)	(317,189)
		<u>446,500</u>	<u>4,055,600</u>	<u>4,502,100</u>
At 1 January 2019		<u>446,500</u>	<u>4,055,600</u>	<u>4,502,100</u>
Additions		7,643	15,735	23,378
Fair value adjustment		58,857	184,565	243,422
		<u>513,000</u>	<u>4,255,900</u>	<u>4,768,900</u>
At 31 December 2019		<u>513,000</u>	<u>4,255,900</u>	<u>4,768,900</u>

Notes:

- (i) All the investment properties owned by the Group are located in the PRC.
- (ii) At 31 December 2019, certain of investment properties with an aggregate carrying value of RMB495,084,000 were pledged as securities for bank loans of the Group.

10. INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the investment property measured at the end of the reporting period at recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements categorised into Level 3	
	2019	2018
	RMB'000	RMB'000
Recurring fair value measurement		
Investment properties:		
— PRC	<u>4,768,900</u>	<u>446,500</u>

The investment properties were measured using Level 3 valuations. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All investment properties of the Group were revalued at 31 December 2019. The valuations were carried out by an independent firm of surveyors, BMI Appraisals Limited, who has among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The management of the Group have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting period.

10. INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Weighted average
Ownership interests in land and buildings — PRC	Discounted cash flow	Risk-adjusted discount rate	11.5%
		Expected market rental growth	2.5%
Other properties leased — PRC	Discounted cash flow	Risk-adjusted discount rate	17.5%
		Expected market rental growth	2.5%

The fair value of investment properties located in the PRC is determined by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the expected market rental growth and occupancy rate, and negatively correlated to the risk-adjusted discount rates.

(c) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Ownership interests in leasehold investment property carried at fair value, with remaining lease term of — between 10 and 20 years	<u>4,255,900</u>	<u>4,055,600</u>

(d) Investment property

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 2 years. Lease payments are usually increased every 3 years to reflect market rentals.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	<u>14,317</u>	<u>21,631</u>

11. INTANGIBLE ASSETS

	<i>Note</i>	Favourable term lease contract (i) and (ii) RMB'000	Others RMB'000	Total RMB'000
Cost:				
At 1 January 2018		6,486,667	11,786	6,498,453
Exchange reserve		—	568	568
At 31 December 2018		<u>6,486,667</u>	<u>12,354</u>	<u>6,499,021</u>
Impact on initial application of IFRS 16				
— Transfer to property and equipment	9	(2,268,240)	—	(2,268,240)
— Transfer to investment properties	10	(4,218,427)	—	(4,218,427)
At 1 January 2019		<u>—</u>	<u>12,354</u>	<u>12,354</u>
Exchange reserve		—	276	276
At 31 December 2019		<u>—</u>	<u>12,630</u>	<u>12,630</u>
Accumulated amortisation:				
At 1 January 2018		(789,063)	—	(789,063)
Charge for the year		(324,333)	—	(324,333)
At 31 December 2018		<u>(1,113,396)</u>	<u>—</u>	<u>(1,113,396)</u>
Impact on initial application of IFRS 16				
— Transfer to property and equipment	9	389,329	—	389,329
— Transfer to investment properties	10	724,067	—	724,067
At 1 January 2019 and 31 December 2019		<u>—</u>	<u>—</u>	<u>—</u>
Net book value:				
At 31 December 2018		<u>5,373,271</u>	<u>12,354</u>	<u>5,385,625</u>
At 31 December 2019		<u>—</u>	<u>12,630</u>	<u>12,630</u>

11. INTANGIBLE ASSETS (Continued)

The amortisation charge for the year is included in “other operating expenses” in the consolidated statement of profit or loss.

- (i) In connection with the acquisition occurred in July 2015, the Group (as lessee) entered into 20 years lease agreements with market owners of the agriculture wholesale markets (as lessor), according to which the rent to be paid is favourable as compared with the fair value of market rent. As at the acquisition date on 27 July 2015, the Group recognised these favourable term lease agreements as an intangible asset at its fair value amounting to RMB6,486,667,000 which is amortised on a straight-line basis over the contractual life of the lease agreements. The amortisation charge for the previous year of RMB324,333,000 is included in other operating expenses in the consolidated statement of profit or loss.
- (ii) Upon transition to IFRS 16 as at 1 January 2019, the Group derecognised the intangible asset arising on these favourable term lease agreements and adjusted the carrying amount of the right-of-use assets of investment property and property and equipment by the amount of the intangible asset derecognised, respectively.

12. GOODWILL

	<i>RMB'000</i>
Cost:	
At 1 January 2018	1,519,330
Addition acquired through acquisition of Hangzhou Business	<u>708,146</u>
At 31 December 2018 and 31 December 2019	<u>2,227,476</u>
Accumulated impairment losses:	
At 1 January 2018, 31 December 2018 and 31 December 2019	<u>(1,132,950)</u>
Carrying amount:	
At 31 December 2018	<u>1,094,526</u>
At 31 December 2019	<u>1,094,526</u>

At 31 December 2019, goodwill, which arose from the acquisition of agriculture wholesale markets business which was completed on 27 July 2015 (“Dili Business”) and the acquisition of Hangzhou Business which was completed on 24 July 2018, amounted to RMB386,380,000 and RMB708,146,000, respectively. Dili Business and Hangzhou Business are identified as two separate cash-generating units, the recoverable amounts of which are determined based on value-in-use calculations. The impairment assessment was not based on the valuation by an independent professional valuer. However, the calculations used are the cash flow projections based on financial budgets approved by management covering a 10-year period. A longer period of the forecasts used was because agriculture wholesale markets operate stably and could be projected based on management’s best estimation.

12. GOODWILL (Continued)

The key assumptions for the value-in-use calculations are as follows, which are based on either the past experience or external sources of information:

	Dili Business		Hangzhou Business	
	2019	2018	2019	2018
Annual revenue growth rate forecast	0%–15%	0%–15%	3%–7%	3%–7%
Perpetual growth rate	2.50%	2.50%	2.50%	2.50%
Pre-tax discount rate	15.44%	15.44%	11.10%	11.10%

Management determined the annual revenue growth rate forecast based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs. There are no significant change for the key assumptions applied in the value-in-use calculations in 2018 and 2019.

Based on the cash flow forecast prepared by the Group as at 31 December 2019, the recoverable amount of all the CGUs exceeds their carrying amount as at 31 December 2019. Management has not identified any reasonably possible change in the key assumptions that would cause the recoverable amount to fall below the carrying amount of the respective CGUs. If the recoverable amount of the Dili Business CGU and Hangzhou Business CGU had been reduced by RMB378 million and RMB917 million respectively, any further reduction would result in an impairment loss to the respective CGUs.

13. OTHER ASSETS

	Note	2019 RMB'000	2018 RMB'000
Financial assets measured at FVPL			
— Investments in trust units	(i)	–	27,010
— Investment in Dili Fresh	(ii)	531,274	–
— Derivative financial instruments embedded in investment in Dili Fresh	(ii)	392,564	–
Lease incentive	(iii)	6,101	37,311
		<u>929,939</u>	<u>64,321</u>
Representing:			
— Non-current		927,677	29,035
— Current		2,262	35,286
		<u>929,939</u>	<u>64,321</u>

(i) Investments in trust units

Financial assets measured at FVPL as at 31 December 2018 represent investments in trust units with no guarantee of principal or returns.

13. OTHER ASSETS (Continued)

(ii) Investment in Dili Fresh and related derivative financial instrument

Financial assets measured at FVPL as at 31 December 2019 represent the 19% equity interest of Million Master Investment Limited and related put option.

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 (the “Target Shares”) of 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 Agreement”). The Target Company and its subsidiaries (the “Dili Fresh”) operates through its PRC subsidiaries, the businesses 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, of which RMB400 million has previously been paid as the deposit in the year 2018.

The above Acquisition was completed as all the conditions had been fulfilled or waived on 31 October 2019. The Target Company is held as to 19% by the Group and 81% by the Vendor respectively.

Pursuant to the Acquisition Agreement, the Vendor has granted the Purchaser with the Call Option under some conditions, under which the Purchaser has the right (but no obligation) to acquire from the Vendor the remaining Shares, being 81% of the entire issued share capital of the Target Company, at an exercise price to be agreed at the time of exercise, within the period commencing from 1 January 2021 and ending on 31 December 2023 (both days inclusive) (the “Call Option”).

The Vendor has also granted the Purchaser with the Put Option pursuant to the Acquisition Agreement under some conditions, under which the Purchaser has the right (but no obligation) to sell back the Target Shares to the Vendor and the Vendor has the obligation to purchase the Target Shares within the period commencing from 1 January 2023 and ending on 31 December 2023 (both days inclusive) at a consideration of the sum of (i) the total purchase price of the Target Shares of RMB950 million and (ii) an amount representing an interest rate of 6% per annum on the total purchase price (the “Put Option”). Mr. Dai Yongge, a controlling shareholder of the Company, has given a personal guarantee in favour of the Purchaser for the due performance by the Vendor of its obligations under the Put Option.

The Purchaser may exercise either the Call Option or the Put Option but not both. The fair value of Call Option and Put Option as at 31 December 2019 are as below:

	2019 RMB'000
Call Option	–
Put Option	<u>392,564</u>
	<u><u>392,564</u></u>

(iii) Lease incentive

The Group provided lease incentive to some lessees in return for their commitments to operate in the Group’s agriculture wholesale markets in a certain years.

14. OTHER RECEIVABLES

	<i>Note</i>	2019 RMB'000	2018 <i>RMB'000</i>
Amounts due from related parties		236,804	400,048
Loans to third parties	<i>(i)</i>	460,006	572,274
Receivable for disposal of property and equipment	<i>(ii)</i>	179,751	181,794
Amounts due from a third party	<i>(iii)</i>	31,946	–
Deposits of acquisitions	<i>(iv)</i>	175,000	–
Others		120,921	101,824
		<u>1,204,428</u>	<u>1,255,940</u>
Representing:			
— Non-current		255,460	–
— Current		948,968	1,255,940
		<u>1,204,428</u>	<u>1,255,940</u>

(i) Loans to third parties

At 31 December 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. All of the balances at 31 December 2019 had been fully settled up till the date 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 and subject to a fixed interest rate of 1% per annum.

(iii) Amounts due from a third party

The amounts due from a third party are an unsecured and non-interest-bearing loan due from a seafood product market operating company under a cooperation contract with the Group. As at 31 December 2019, RMB11,486,000 of receivables will be recovered within one year, and RMB20,460,000 will be recovered before 31 December 2023.

(iv) Deposits of acquisitions

Deposits of acquisitions as at 31 December 2019 represent deposits for acquisitions of agriculture related business in the PRC.

15. OTHER PAYABLES

	<i>Note</i>	2019 RMB'000	2018 <i>RMB'000</i>
Construction payables	<i>(i)</i>	96,232	82,885
Other taxes payable		8,543	5,261
Amounts due to related parties		12,614	10,892
Salary and welfare expenses payable		94,113	65,893
Professional service fee payables		7,373	6,302
Others		46,553	33,931
		<hr/>	<hr/>
Financial liabilities measured at amortised cost		265,428	205,164
Receipt-in-advance		226,132	79,809
Deposits	<i>(ii)</i>	368,721	381,865
		<hr/>	<hr/>
		860,281	666,838
		<hr/> <hr/>	<hr/> <hr/>

(i) The aging analysis of construction payables at the end of the year is as follows:

	2019 RMB'000	2018 <i>RMB'000</i>
Due within one year or on demand	96,232	82,885
	<hr/> <hr/>	<hr/> <hr/>

(ii) 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.

16 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	31 December 2019		1 January 2019 <i>(Note)</i>	
	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>
Within 1 year	125,617	130,146	153,194	156,945
After 1 year but within 2 years	137,150	147,823	142,876	153,605
After 2 years but within 5 years	359,863	426,975	369,999	438,429
After 5 years	950,024	1,559,889	1,006,441	1,697,025
	<u>1,447,037</u>	<u>2,134,687</u>	<u>1,519,316</u>	<u>2,289,059</u>
	<u>1,572,654</u>	<u>2,264,833</u>	<u>1,672,510</u>	<u>2,446,004</u>
Less: total future interest expenses		(692,179)		(773,494)
Present value of lease liabilities		<u>1,572,654</u>		<u>1,672,510</u>

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Under this approach, the comparative information is not restated. Further details on the impact of the transition to IFRS 16 are set out in Note 2.

17. SHARE CAPITAL

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

(ii) Rights issue

During the year ended 31 December 2018, the Group issued 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.

18. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Novel Coronavirus Pneumonia Outbreak (the “NCP Outbreak”) since early 2020 has brought about additional uncertainties in the Group’s operating environment and may impact the Group’s operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group’s businesses and has put in place contingency measures. The directors of the Group confirm that these contingency measures include but not limited to reassessing fluctuation to the trading volume and trading amount of the agriculture markets, base on which the Group collects the commission income and operating lease income and improving the Group’s cash management by expediting debtor settlements. The Group will keep the contingency measures under review as the NCP Outbreak situation evolves.

As far as the Group’s businesses are concerned, the NCP Outbreak may cause fluctuation of commission income and operating lease income for the first half of 2020, but the directors of the Group consider that such impact should be temporary and not significant.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group operated 10 wholesale markets in 7 cities in the People’s Republic of China (the “PRC”) during the year.

BUSINESS REVIEW

Agricultural Wholesale Market	Location	Total Gross Floor Area (sq.m.)
Harbin Hada Agricultural Produce and Side Products Market	Harbin city, Heilongjiang province	185,035 (Note)
Qiqihar Hada Agricultural Produce Market	Qiqihar city, Heilongjiang province	49,106 (Note)
Muda International Agricultural Produce Logistic Park	Mudanjiang city, Heilongjiang province	116,758 (Note)
Harbin Youyi Agricultural Produce Market	Harbin city, Heilongjiang province	17,952 (Note)
Shenyang Shouguang Dili Agricultural Produce and Side Products Market	Shenyang city, Liaoning province	235,123
China Shouguang Agricultural Produce Logistic Park	Shouguang city, Shandong province	537,003
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
Guiyang Agricultural Produce Logistic Park	Guiyang city, Guizhou province	173,620
Total		<u>1,559,614</u>

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

BUSINESS REVIEW (Continued)

Hada Acquisition

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

The original long stop date for the completion of the Hada Acquisition was 31 December 2018. The parties to the Hada Acquisition had agreed to extend such long stop date to 30 June 2019, 30 September 2019 and 31 December 2019 respectively for satisfaction (or waiver, if applicable) of all conditions precedent under the Hada Acquisition Agreement. Announcements for these extensions had been made on 27 December 2018, 26 June 2019 and 30 September 2019 respectively.

The Company was informed by New Amuse Limited before the end of 2019 that certain conditions precedents were yet to be satisfied and further time was required for the Company and New Amuse Limited to discuss alternative transaction structure(s) and/or revision(s) of the scope of the Hada Target Group, as such, completion of the Hada Acquisition would not take place on 31 December 2019 and the long stop date had further extended to 30 April 2020. An announcement in relation thereto had been made on 27 December 2019.

As at the date of this announcement, the Company and New Amuse Limited were still undergoing the negotiation and determination of the structure of the Hada Acquisition. Further announcements of alternative transaction structure(s), if any, will be made upon the entering into of definitive agreement(s) or as and when required in accordance with the Listing Rules.

Dili Fresh Acquisition

In September 2018, the Company announced the potential acquisition, from the controlling shareholder, of the equity stake of Harbin Dili Fresh Agricultural Produce Enterprise Management Co. Ltd.* (哈爾濱地利生鮮農產品企業管理有限公司) (“Dili Fresh”) which owns and operates agricultural produce supermarket chain, fresh food chain and supply chain and logistics management in the PRC. A non-binding memorandum of understanding was entered into and a deposit of RMB400 million was made in return for a 180-day exclusive period (the “Exclusivity Period”). The Exclusivity Period was extended for another 180 days on 7 March 2019 with no further deposit was made for such extension.

On 29 August 2019, the Group entered into a formal sale and purchase agreement with the seller, an associate of our controlling shareholder, to acquire 19% stake in the offshore holding company which wholly owns Dili Fresh, for a total consideration of RMB 950 million (the “Dili Fresh Acquisition”). Shareholders’ approval had been obtained at the extraordinary general meeting held on 29 October 2019 and the Dili Fresh Acquisition was completed as all the conditions had been fulfilled or waived on 31 October 2019. Details of the Dili Fresh Acquisition, including downstream expansion and synergies, were set out in the circular of the Company dated 30 September 2019.

* For identification purpose only

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 RMB1,421.0 million (2018: RMB1,128.7 million), representing an increase of about 25.9% when compared with that of last year. The commission income increased by 24.6% to RMB1,009.9 million this year as compared to RMB810.6 million last year while the lease income also increased by 29.2% to RMB411.1 million this year as compared to RMB318.1 million last year.

	2019 <i>RMB' million</i>	2018 <i>RMB' million</i>	Change <i>RMB' million</i>	Change %
Commission income	1,009.9	810.6	199.3	24.6
Lease income	411.1	318.1	93.0	29.2
Total	1,421.0	1,128.7	292.3	25.9

FINANCIAL REVIEW (Continued)

Revenue (Continued)

The analysis by agriculture wholesale markets:

	<i>Note</i>	2019 <i>RMB' million</i>	2018 <i>RMB' million</i>	Change <i>RMB' million</i>	Change <i>%</i>
Harbin Hada Agricultural Produce and Side Products Market		275.4	287.5	(12.1)	(4.2)
Qiqihar Hada Agricultural Produce Market	(i)	47.8	30.3	17.5	57.6
Muda International Agricultural Produce Logistic Park		41.9	42.1	(0.2)	(0.6)
Harbin Youyi Agricultural Produce Market		25.0	23.8	1.2	4.8
Shenyang Shouguang Dili Agricultural Produce and Side Products Market	(ii)	339.9	290.2	49.7	17.1
China Shouguang Agricultural Produce Logistic Park		146.4	146.7	(0.3)	(0.2)
Hangzhou Fruit-products Market		167.2	66.9	100.3	150.1
Hangzhou Vegetable Market		146.6	60.4	86.2	142.9
Hangzhou Seafood Market		72.2	28.4	43.8	154.2
Guiyang Agricultural Produce Logistic Park		158.6	152.4	6.2	4.1
Total		<u>1,421.0</u>	<u>1,128.7</u>	<u>292.3</u>	<u>25.9</u>

Notes:

- (i) The increase in revenue was due to keen market competition in Qiqihar City in last year but was recovered in this year.
- (ii) The increase in revenue was mainly attributed to the increase in leased areas.

FINANCIAL REVIEW (Continued)

Other income/(expenses)

Other income mainly comprised market service fee income of RMB151.2 million (2018: RMB126.8 million). In last year, there was a loss on disposal of property and equipment amounting to RMB188.3 million which were mainly due to disposal of two aircrafts.

Administrative expenses

Administrative expenses mainly comprised staff cost, depreciation and trip expenses. With the disposal of two aircrafts in December 2018, the related maintenance and usage cost were not incurred this year as compared to approximately RMB144.2 million incurred in 2018. As a result of taking effective cost control measures, entertainment, legal and professional and trip expenses decreased by RMB62.6 million in total as compared to last year. This is offset by the increase in depreciation of RMB169.2 million due to the adoption of International Financial Reporting Standards 16 (“IFRS 16”), Leases, in this year.

Other operating expenses

Other operating expenses mainly comprised operating staff cost and utility charges in 2019. It mainly consisted of amortisation of intangible assets of RMB324.3 million and the operating lease expenses of RMB128.6 million in 2018. No such amortisation and expenses were incurred in 2019 was due to the impact of adopting the IFRS 16.

Finance income

Finance income mainly represented the interest income earned from bank deposits and loans to third parties. There was no material fluctuation as compared with last year.

Finance expenses

Finance expenses mainly represented interest on lease liabilities and bank loans. The significant increase was mainly due to the adoption of IFRS 16, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability. The interest on lease liabilities amounted to RMB79.9 million for the year ended 31 December 2019.

FINANCIAL REVIEW (Continued)

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 31 December 2019 are repayable as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Within one year	173,500	198,500
After one year but within two years	142,680	73,500
After two years but within five years	141,000	242,680
After five years	16,000	57,000
	473,180	571,680

There was no material effect of seasonality on the Group's borrowing requirement. As at 31 December 2019, all the bank loans are denominated in RMB.

Capital Structure and Treasury Policy

On 26 April 2019, the Board proposed that every ten issued and unissued 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 were set out 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.

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 year ended 31 December 2019 and the residual balance to be used as at 31 December 2019 are as follows:

Proposed use of proceeds	Residual balance as at 1 January 2019 <i>HKD' million</i>	Used during the year <i>HKD' million</i>	Residual balance to be used as at 31 December 2019 <i>HKD' million</i>
(i) For enlarging the trading hall and rental area of the markets	300	(140)	160
(ii) For upgrading infrastructure facilities of the markets	125	(25)	100
(iii) For developing and installing information software and data collection and analysis systems in the markets	65	(4)	61
(iv) General working capital	133	(133)	–
	<u>623</u>	<u>(302)</u>	<u>321</u>

Charges on Assets

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

Capital Commitment

As at 31 December 2019, the future capital expenditure for which the Group had contracted but not provided for amounted to approximately RMB49.7 million (2018: RMB16.8 million).

Contingent Liabilities

As at 31 December 2019, the Group had no material contingent liabilities.

FINANCIAL REVIEW (Continued)

Gearing Ratio

The Group monitors its capital structure on the basis of a gearing ratio, being the bank loans and lease liabilities divided by the total assets.

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused a significant increase in the Group's total debt and hence the Group's adjusted gearing ratio rose from 4.93% to 17.34% on 1 January 2019 when compared to its position as at 31 December 2018. At 31 December 2019, the gearing ratio of the Group was 15.15%.

Human Resources

As at 31 December 2019, the Group employed 2,408 staff (as at 31 December 2018: 2,668 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 year ended 31 December 2019 was approximately RMB381.6 million as compared with RMB349.2 million for the year ended 31 December 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.

Dividends

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2019 (2018: Nil).

SHARE AWARD SCHEME

A share award scheme was adopted by the Board on 28 August 2018 (the "Share Award Scheme") to (i) recognise 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.

SHARE AWARD SCHEME (Continued)

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 31 December 2019, the Trustee had purchased a total of 54,709,800 existing shares of the Company from the market with a total cost of approximately RMB134.5 million. During the year, 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 year ended 31 December 2019.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (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 is comprised of two independent non-executive directors and a non-executive director. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions in the CG Code throughout the year ended 31 December 2019, save and except for the following:

Code Provision A.2.7

The Chairman of the Company did not hold any formal meeting with the independent non-executive directors due to the busy schedule of the Chairman and the independent non-executive directors. The Chairman may communicate with the independent non-executive directors on a one-to-one or group basis to understand their concerns and to discuss pertinent issues.

Save as disclosed above, there has been no deviation from the code provisions of the CG Code by the Company for the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) 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 year ended 31 December 2019.

On behalf of the Board
China Dili Group
Wang Yan
Chairman

Hong Kong, 26 March 2020

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.