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)

2019 INTERIM REPORT

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Corporate Information

Directors

Executive Directors

Wang Yan (Chairman)
Dai Bin (Chief Executive Officer)

Non-Executive Directors

Yin Jianhong
Yang Yuhua

Independent Non-Executive Directors

Fan Ren-Da, Anthony
Wang Yifu
Leung Chung Ki
Tang Hon Man

Audit Committee

Fan Ren-Da, Anthony (Chairman)
Wang Yifu
Yang Yuhua

Remuneration Committee

Tang Hon Man (Chairman)
Wang Yan
Wang Yifu

Nomination Committee

Tang Hon Man (Chairman)
Wang Yan
Wang Yifu

Authorised Representatives

Wang Yan
Hung Fan Kwan FCPA, FCCA

Company Secretary

Hung Fan Kwan FCPA, FCCA

Auditors

KPMG
Certified Public Accountants

Registered Office

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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

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Hong Kong

China Offices

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Chaoyang District
Beijing, China

Room 1705, China Resources Building
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Nanshan District
Shenzhen City, China

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 1387

Investor Relations

Company Website: www.diligrp.com
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Chairman's Statement

On behalf of the board of directors (the "Board") of China Dili Group (the "Company", together with its subsidiaries, collectively the "Group"), I report to all shareholders of the Company (the "Shareholders") on the unaudited results for the six months ended 30 June 2019 (the "Period").

As mentioned in our 2018 Annual Report, 2019 marks the first year of the implementation of the Group's transformation and upgrade strategy. During the Period, we focus on optimizing the Group's organizational structure by establishing a new set of management and business operations. With the continuous effort and contribution of our staff and team members, the Group finally turned around and recorded a net profit of approximately RMB188.1 million for the first half of 2019.

In respect of our business development, the acquisition of the equity interests in a company which owns the land and properties of our 7 existing wholesale markets which was announced on 5 June 2018 and approved by our shareholders at the extraordinary general meeting held on 20 July 2018 (the "Hada Acquisition") is still pending on satisfaction (or waiver, if applicable) of all conditions precedent. The long stop date for the completion of the Hada Acquisition has been extended to 30 September 2019. We are still working out with the counter parties to complete the Hada Acquisition as soon as practicable.

An acquisition which we announced on 11 September 2018 where the Group intended to acquire equity stake in a company held by an associate of our controlling shareholder which is principally engaged in agricultural produce wholesale and retail operations in various cities in China (the "Target Company"), the Group has entered into a formal sale and purchase agreement on 29 August 2019 with an associate of our controlling shareholder (the "Potential Seller") to acquire 19% stake in the Target Company for a consideration of RMB950 million (equivalent to approximately HKD1.1 billion) (the "Dili Fresh Acquisition").

The Dili Fresh Acquisition is our material strategic action for expanding our business into the retail end of the industry value chain. It is part of our transformation strategies — from being a "conventional property developer for fresh agricultural produce" to "an advanced fresh food distribution service provider and supplier", striving to increase the overall efficiency and benefit of fresh distribution and supply in China.

We will continue to do our best to implement our transformation plan and to strive to become "an advanced fresh food distribution service provider and supplier".

On behalf of the Board, I would like to thank all members of the Board for their positive inputs, and all members of our management team and employees for their team work and commitment.

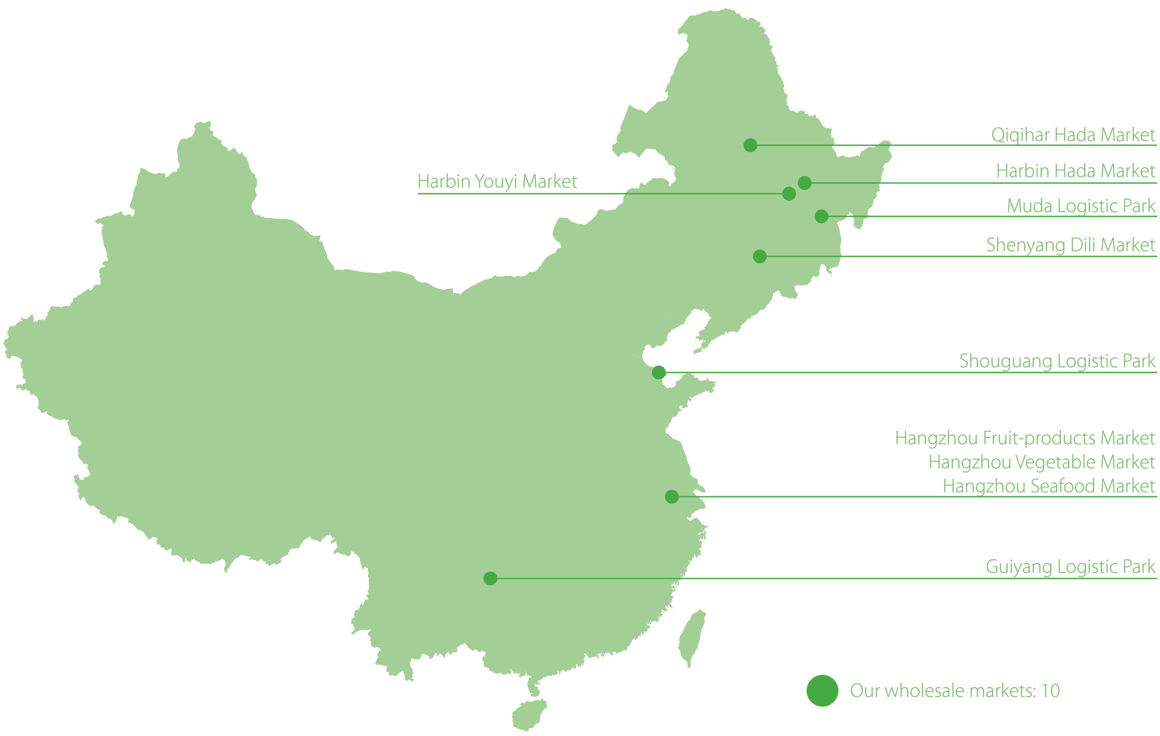
Wang Yan
Executive Director and Chairman

29 August 2019

Management Discussion and Analysis

OUR BUSINESS

The Group operated 10 agriculture wholesale markets in 7 cities in the People's Republic of China (the "PRC") during the period under review.



Heilongjiang Dili Logistic Park Cluster* (黑龍江地利物流園集群) (the "Heilongjiang Dili Cluster")

Multi-level markets with focus on regional coverage and foreign trade

The Heilongjiang Dili Group includes 4 markets in Heilongjiang Province, including (1) Harbin Hada Agricultural Produce and Side Products Market* (哈爾濱哈達農副產品批發市場) ("Harbin Hada Market") which forms the core of the group, supported by (2) Qiqihar Hada Agricultural Produce Market* (齊齊哈爾哈達農產品市場) ("Qiqihar Hada Market"); (3) Muda International Agricultural Produce Logistic Park* (牡丹江國際農產品物流園) ("Muda Logistic Park") and (4) Harbin Youyi Agricultural Produce Market* (哈爾濱友誼農產品市場) ("Harbin Youyi Market"). These four markets form a multi-level cluster.

The geographical reach of the Heilongjiang Dili Cluster covers more than 50 cities and counties in Heilongjiang Province, Jilin Province, East of Inner Mongolia region.

Muda Logistic Park, which is part of the Heilongjiang Dili Cluster, focuses on Sino-Russian trade activities.

No. of wholesale markets	Total GFA#	Revenue Six months ended 30 June 2019
4	Approximately 368,851 sq.m. (note)	RMB204.8 million

* *For identification purpose only*
\# "GFA" represents Gross Floor Area.

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

Shenyang Shouguang Dili Agricultural Produce and Side Products Market* (瀋陽壽光地利農副產品市場) ("Shenyang Dili Market")

The largest transit center for agricultural products in Northeast China & fruits logistics hub

Shenyang Dili Market consists of two large markets, namely Shenyang Fruit Market and Shenyang Fruit and Vegetable Market, and two smaller markets for commodity and condiments, and seafood respectively. Shenyang Dili Market provides full categories of all agricultural produce. Shenyang Fruit Market is an old market where its operation dates back to mid-1990s. The Shenyang Dili Market is located in Dadong District within the city of Shenyang.

Shenyang Dili Market supplies more than 90% of local fruit market, and 50% of the fruits from the market is supplied to the three provinces of Northeast China and Inner Mongolia region.

Shenyang Dili Market plays a decisive role in Northeast China as it's the major transit center for agricultural produce and side products in Northeast China as well as the largest fruits logistics hub in Northeast China.

No. of wholesale markets	Total GFA#	Revenue Six months ended 30 June 2019
1 (divided into several markets for different commodities)	Approximately 235,123 sq.m. (note)	RMB174.3 million

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

China Shouguang Agricultural Produce Logistic Park* (中國壽光農產品物流園) ("Shouguang Logistic Park")

Largest integrated agriculture logistics park in Asia

Shouguang Logistic Park is currently the largest integrated agriculture logistic park in Asia in terms of gross floor area. The park is divided into 6 functional zones, including fruit trading, vegetable trading, seeds trading and e-commerce business zones etc. Shouguang Logistic Park is the logistic hub of vegetable circulation linking the southern and northern part of China. It also serves as a key center nationwide for functions like national price setting for vegetables, trading information and logistic distribution.

The price indices created from the Shouguang Logistic Park serves as the approved national official price indices in China.

No. of wholesale markets	Total GFA#	Revenue Six months ended 30 June 2019
1	Approximately 537,003 sq.m.	RMB78.5 million

* *For identification purpose only*

\# "GFA" represents Gross Floor Area.

Management Discussion and Analysis

Hangzhou Dili Logistic Park Cluster* (杭州地利集群) (the "Hangzhou Dili Cluster")

An innovative logistic park with electronic settlement & big data

The Hangzhou Dili Cluster consists of 3 markets, namely a fruit-products market, a vegetable market and a seafood market. The Hangzhou Dili Cluster is the largest agricultural produce wholesale market in Hangzhou.

The 3 markets within Hangzhou Dili Cluster were rebranded as Hangzhou Dili Logistic Park after completion of the Group's acquisition from an independent third party in July 2018.

The Hangzhou Dili Cluster has become a key logistic hub for agricultural produce within the Yangtze River Delta and surrounding regions. The supply of fruit, vegetable and seafood takes up approximately 70% of the local demand. At the same time, it serves a more extended area, including other cities in Zhejiang Province as well as Jiangsu Province, Anhui Province, Jiangxi Province and Hubei Province.

One of the prominent features of the Hangzhou Dili Cluster is the full implementation of electronic settlement as well as the big data system which collects, analyzes and makes use of trading and logistic data collected from the markets. The Hangzhou Dili Cluster is the pioneer in promoting integration and use of internet in the traditional agriculture wholesale business.

No. of wholesale markets	Total GFA#	Revenue Six months ended 30 June 2019
3	Approximately 245,017 sq.m.	RMB204.1 million

Guiyang Agricultural Produce Logistic Park* (貴陽農產品物流園) ("Guiyang Logistic Park")

The logistic hub in Southwest China

Guiyang Logistic Park is our Group's only wholesale market in Southwest China. It includes large-scale vegetable and fruit market, as well as markets for frozen food, grain and oil and condiments.

Through years of our efforts, Guiyang Logistic Park has now become the largest agricultural produce distribution center among the nine provinces of Southwest and Northwest region of China and extended its geographical coverage to Guangxi Province, Hunan Province and Hubei Province.

Guiyang Logistic Park is an integrated wholesale market, it covers outward distribution of product produced locally, as well as inward sales of agricultural produce from the outside regions. It provides full categories of agricultural produce and distribution channels for the poverty alleviation programme promoted by the State.

No. of wholesale markets	Total GFA#	Revenue Six months ended 30 June 2019
1	Approximately 173,620 sq.m.	RMB76.9 million

* *For identification purpose only*

\# "GFA" represents Gross Floor Area.

Business Review

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, at 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 interim report. 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 agricultural produce 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 potential 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 at a consideration of RMB950 million (equivalent to approximately HKD1.1 billion) (the "Dili Fresh Acquisition"). 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.

Management Discussion and Analysis

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			
	2019	2018	**Change**	**Change**
	RMB' million	RMB' million	RMB' million	%
Commission income	**539.8**	353.1	186.7	52.9
Lease income	**198.8**	130.6	68.2	52.2
Total	**738.6**	483.7	254.9	52.7

The analysis by agriculture wholesale markets:

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

Revenue *(Continued)*

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 was 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:

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

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 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.

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:

	Proposed use of proceeds	Residual balance as at 1 January 2019 HKD' million	Used during the period HKD' million	**Residual balance to be used as at 30 June 2019 HKD' million**
(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**
		623	(168)	**455**

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 was 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.

Dividends

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).

Other Information

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2019, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company as required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long/short positions in shares/underlying shares of the Company:

Name of director	Capacity	Nature of interest	Number of issued shares/ underlying shares	Approximate percentage of interest in the Company
Mr. Yin Jianhong	Beneficial owner	Long position	4,835,000	0.08%

Save as disclosed above, none of the directors or chief executives of the Company or their associates had, as at 30 June 2019, any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2019, the interests or short positions of the substantial shareholders (other than the directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of issued shares/ Nature of interest *(Note 1)*	Approximate percentage of interest in the Company
Mr. Dai Yongge	Beneficial owner	20,007,000 (L)	0.35%
	Interest in controlled corporations *(Note 2)*	2,111,021,532 (L)	36.93%
	Interest of spouse *(Note 3)*	4,803,133,217 (L)	84.04%
	Interest in a controlled corporation	6,655,629 (S)	0.12%
Super Brilliant Investments Limited	Beneficial owner	2,011,810,466 (L)	35.20%
	Beneficial owner	6,655,629 (S)	0.12%
Shining Hill Investments Limited	Interest in a controlled corporation *(Note 2)*	2,011,810,466 (L)	35.20%
	Interest in a controlled corporation	6,655,629 (S)	0.12%
Ms. Zhang Xingmei	Interest in a controlled corporation *(Note 4)*	4,803,133,217 (L)	84.04%
	Interest of spouse *(Note 5)*	2,131,028,532 (L)	37.28%
	Interest of spouse *(Note 5)*	6,655,629 (S)	0.12%
New Amuse Limited	Beneficial owner	4,803,133,217 (L)	84.04%
Shouguang Dili Agri-Products Group Company Limited	Interest in a controlled corporation	4,803,133,217 (L)	84.04%
Dili Group Holdings Company Limited	Interest in a controlled corporation	4,803,133,217 (L)	84.04%
Win Spread Limited	Interest in a controlled corporation	4,803,133,217 (L)	84.04%

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares *(Continued)*

Notes:

(1) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.

(2) Among 2,111,021,532 shares of the Company deemed to be interested by Mr. Dai Yongge, 15,912,000 shares are held by Gloss Season Limited ("Gloss Season"), which is held as to 100% by Mr. Dai Yongge, he is deemed to be interested in the shares held by Gloss Season; 2,011,810,466 shares are held by Super Brilliant Investments Limited ("Super Brilliant") and Super Brilliant is wholly owned by Shining Hill Investments Limited ("Shining Hill"). Mr. Dai Yongge is interested in the entire issued share capital of Shining Hill which is in turn interested in the entire issued share capital of Super Brilliant and therefore, Mr. Dai Yongge and Shining Hill are deemed to be interested in the shares held by Super Brilliant; 83,299,066 shares are held by Wealthy Aim Holdings Limited ("Wealthy Aim"). As the entire issued share capital of Wealthy Aim is held by Broad Long Limited ("Broad Long"), which is held as to 100% by Mr. Dai Yongge, he is deemed to be interested in the shares held by Wealthy Aim.

(3) Mr. Dai Yongge is deemed to be interested in the shares held by his spouse, Ms. Zhang Xingmei.

(4) Ms. Zhang Xingmei holds the entire issued share capital of Win Spread Limited ("Win Spread"). Win Spread holds the entire issued share capital of Dili Group Holdings Company Limited ("Dili Group"). Dili Group holds the entire issued share capital of Shouguang Dili Agri-Products Group Company Limited ("Shouguang Dili"). Shouguang Dili holds the entire issued share capital of New Amuse Limited ("New Amuse"). New Amuse beneficially holds 4,803,133,217 shares in our Company, of which 3,991,425,900 shares are interests in conversion shares relating to the convertible bonds yet to be issued pursuant to the sale and purchase agreement dated 5 June 2018 between among others, the Company and New Amuse. Accordingly, each of Ms. Zhang Xingmei, Win Spread, Dili Group and Shougang Dili is deemed to be interested in the 4,803,133,217 shares held by New Amuse.

(5) Ms. Zhang Xingmei is deemed to have interests and short positions in the shares held by her spouse, Mr. Dai Yongge.

Save as disclosed above and so far as the Directors are aware of, as at 30 June 2019, there was no other person, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

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.

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 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 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.

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019 – unaudited

		Six months ended 30 June	
		2019	2018
	Note	**RMB'000**	RMB'000
			(Note)
Revenue	*3(a)*	**738,574**	483,713
Other income	*4*	**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)
Profit/(loss) from operations		**259,034**	(20,034)
Finance income		**37,489**	12,632
Finance expenses		**(27,379)**	(190)
Net finance income	*5(b)*	**10,110**	12,442
Profit/(loss) before taxation	*5*	**269,144**	(7,592)
Income tax	*6*	**(80,997)**	(41,975)
Profit/(loss) for the period		**188,147**	(49,567)
Attributable to:			
Equity shareholders of the Company		**179,325**	(49,567)
Non-controlling interests		**8,822**	–
Profit/(loss) for the period		**188,147**	(49,567)
			(Restated)
Basic and diluted earnings/(loss) per share (RMB cents)	*7*	**3.20**	(1.13)

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.

The notes on pages 25 to 49 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019 – unaudited

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
		(Note)
Profit/(loss) for the period	**188,147**	(49,567)
Other comprehensive income for the period (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	**9,555**	14,184
Total comprehensive income for the period	**197,702**	(35,383)
Attributable to:		
Equity shareholders of the Company	**188,880**	(35,383)
Non-controlling interests	**8,822**	–
Total comprehensive income for the period	**197,702**	(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. See Note 2.

The notes on pages 25 to 49 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2019 – unaudited

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000 (Note)
Non-current assets			
Property and equipment	2,8	**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	9	**–**	29,035
Other receivables	10(iii)	**27,360**	–
Deferred tax assets	14	**639**	676
Total non-current assets		**9,135,902**	8,908,405
Current assets			
Inventories		**40,142**	35,604
Other receivables	10	**1,317,928**	1,255,940
Cash at bank and on hand	11	**1,460,787**	1,354,070
Other assets	9	**–**	35,286
Total current assets		**2,818,857**	2,680,900
Current liabilities			
Bank loans	12	**225,500**	198,500
Other payables	13	**660,500**	666,838
Lease liabilities	2(d)	**37,843**	–
Taxation		**129,471**	122,543
Total current liabilities		**1,053,314**	987,881
Net current assets		**1,765,543**	1,693,019
Total assets less current liabilities		**10,901,445**	10,601,424

Consolidated Statement of Financial Position (Continued)

At 30 June 2019 – unaudited

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000 (Note)
Non-current liabilities			
Bank loans	12	**325,680**	373,180
Lease liabilities	2(d)	**310,759**	–
Deferred tax liabilities	14	**1,673,570**	1,711,492
Deferred income		**8,238**	3,205
Total non-current liabilities		**2,318,247**	2,087,877
Net assets		**8,583,198**	8,513,547
Capital and reserves			
Share capital	15(b)	**478,794**	478,794
Reserves		**7,989,752**	7,922,923
Total equity attributable to equity shareholders of the Company		**8,468,546**	8,401,717
Non-controlling interests		**114,652**	111,830
Total equity		**8,583,198**	8,513,547

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.

Approved and authorised for issue by the board of directors on 29 August 2019.

Wang Yan
Chairman

Dai Bin
Director

The notes on pages 25 to 49 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019 – unaudited

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 *Note 15(b)*	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Statutory reserve fund RMB'000	Shares held for share award scheme RMB'000 *Note 15(c)*	Exchange reserves RMB'000	Merger reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	366,604	13,862,305	7,508	129,488	754,124	–	(219,051)	128,704	(8,092,804)	6,936,878	–	6,936,878
Changes in equity for the six months ended 30 June 2018:												
Loss for the period	–	–	–	–	–	–	–	–	(49,567)	(49,567)	–	(49,567)
Other comprehensive income	–	–	–	–	–	–	14,184	–	–	14,184	–	14,184
Total comprehensive income	–	–	–	–	–	–	14,184	–	(49,567)	(35,383)	–	(35,383)
Balance at 30 June 2018 and 1 July 2018	366,604	13,862,305	7,508	129,488	754,124	–	(204,867)	128,704	(8,142,371)	6,901,495	–	6,901,495
Changes in equity for the six months ended 31 December 2018												
Loss for the period	–	–	–	–	–	–	–	–	(311,334)	(311,334)	12,300	(299,034)
Other comprehensive income	–	–	–	–	–	–	121,654	–	–	121,654	–	121,654
Total comprehensive income	–	–	–	–	–	–	121,654	–	(311,334)	(189,680)	12,300	(177,380)
Transfer to reserve fund	–	–	–	–	52,509	–	–	–	(52,509)	–	–	–
Issue of shares under rights issue	112,190	1,716,508	–	–	–	–	–	–	–	1,828,698	–	1,828,698
Shares purchased for the share award scheme	–	–	–	–	–	(138,796)	–	–	–	(138,796)	–	(138,796)
Acquisition of business	–	–	–	–	–	–	–	–	–	–	99,530	99,530
Balance at 31 December 2018 *(Note)*	478,794	15,578,813	7,508	129,488	806,633	(138,796)	(83,213)	128,704	(8,506,214)	8,401,717	111,830	8,513,547

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.

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2019 – unaudited

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 *Note 15(b)*	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Statutory reserve fund RMB'000	Shares held for share award scheme RMB'000 *Note 15(c)*	Exchange reserves RMB'000	Merger reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	478,794	15,578,813	7,508	129,488	806,633	(138,796)	(83,213)	128,704	(8,506,214)	8,401,717	111,830	8,513,547
Changes in equity for the six months ended 30 June 2019:												
Profit for the period	–	–	–	–	–	–	–	–	179,325	179,325	8,822	188,147
Other comprehensive income	–	–	–	–	–	–	9,555	–	–	9,555	–	9,555
Total comprehensive income	–	–	–	–	–	–	9,555	–	179,325	188,880	8,822	197,702
Transfer to reserve fund	–	–	–	–	4,328	–	–	–	(4,328)	–	–	–
Shares purchased for the share award scheme	–	–	–	–	–	(122,051)	–	–	–	(122,051)	–	(122,051)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(6,000)	(6,000)
Balance at 30 June 2019	478,794	15,578,813	7,508	129,488	810,961	(260,847)	(73,658)	128,704	(8,331,217)	8,468,546	114,652	8,583,198

The notes on pages 25 to 49 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2019 – unaudited

	Note	Six months ended 30 June	
		2019	2018
	Note	**RMB'000**	RMB'000
			(Note)
Operating activities			
Cash generated from operations		**456,532**	70,507
Income tax paid		**(111,954)**	(85,755)
Net cash generated from/(used in) operating activities		**344,578**	(15,248)
Investing activities			
Proceeds from sales of financial assets measured at fair value through profit or loss		**25,321**	–
Purchase of property and equipment		**(67,753)**	(23,194)
Government grant received		**–**	2,880
Payment for loans and advances to third parties		**(1,013,864)**	(700,000)
Proceeds from repayment of loans and advances to third parties		**958,691**	1,062,837
Prepayment of deposits for acquisition of projects		**(25,000)**	(377,000)
Prepayment for acquisition of subsidiaries		**–**	(590,170)
Decrease in time deposits		**–**	105,000
Interest received		**75,447**	11,103
Other cash flows generated from investing activities		**730**	299
Net cash used in investing activities		**(46,428)**	(508,245)

Condensed Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2019 – unaudited)

		Six months ended 30 June	
		2019	2018
	Note	**RMB'000**	RMB'000
			(Note)
Financing activities			
Interest paid		**(16,689)**	–
Capital element of lease rentals paid		**(17,568)**	–
Interest element of lease rentals paid		**(8,713)**	–
Purchase of shares for the purpose of share award scheme		**(122,051)**	–
Repayment of bank loans		**(120,500)**	–
Proceeds from bank loans		**100,000**	–
Dividends paid to non-controlling interests		**(6,000)**	–
Net cash used in financing activities		**(191,521)**	–
Net increase/(decrease) in cash and cash equivalents		**106,629**	(523,493)
Cash and cash equivalents at 1 January		**1,354,070**	1,097,118
Effect of foreign exchange rate changes		**88**	345
Cash and cash equivalents at 30 June	*11*	**1,460,787**	573,970

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.

The notes on pages 25 to 49 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

1 Basis of preparation

This interim financial report of China Dili Group (the "Company") and its subsidiaries (hereinafter collectively referred to as 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"), 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)".

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 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) promulgated by the IASB.

The interim financial report is unaudited, but has 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 of Directors is included on page 50.

2 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 are set out below:

(a) Changes in the accounting policies

(i) 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.

2 Changes in accounting policies *(Continued)*

IFRS 16, Leases *(Continued)*

(a) Changes in the accounting policies *(Continued)*

(ii) Lessee accounting

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 as disclosed in Note 16(b).

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for right-of-use assets that meet the definition of investment property which are carried at fair value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 Changes in accounting policies *(Continued)*

IFRS 16, Leases *(Continued)*

(a) Changes in the accounting policies *(Continued)*

(iii) Leasehold investment property

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"). The adoption of IFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply IAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

(iv) 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.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

2 Changes in accounting policies *(Continued)*

IFRS 16, Leases *(Continued)*

(c) Transitional impact

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%.

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.

2 Changes in accounting policies *(Continued)*

IFRS 16, Leases *(Continued)*

(c) Transitional impact *(Continued)*

The following table reconciles the operating lease commitments as disclosed in Note 16(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	2,563,555
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 (Note)	(2,073,774)
	489,781
Less: total future interest expenses	(123,611)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	366,170
Total lease liabilities recognised at 1 January 2019	366,170

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.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and presents lease liabilities separately in the statement of financial position.

Note: The short-term leases and other leases with remaining lease term ending on or before 31 December 2019 includes the effect of the change of the lease term of a 20 years lease agreements.

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). The Group operates agricultural produce markets on the land and properties which are leased from the substantial shareholder of the Company, New Amuse Limited ("New Amuse"). New Amuse owns such land and properties indirectly through PRC landlord entities (the "PRC Landlord Entities").

2 Changes in accounting policies *(Continued)*

IFRS 16, Leases *(Continued)*

(c) Transitional impact *(Continued)*

Note: (Continued)

On 5 June 2018, Yield Smart, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with 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 (the "Hada Target Company") which is a wholly-owned subsidiary of New Amuse (the "Hada Acquisition"). On 27 December 2018, the Group announced that they expected the Hada Acquisition would be completed on or around 30 June 2019, upon which the 20 years lease agreements would be terminated. At the date of transaction to IFRS 16 (1 January 2019), the Group determined the length of the remaining lease term of the 20 years lease agreement to be less than 1 year. 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 the 20 years lease agreement accordingly.

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	Capitalisation of operating lease contracts RMB'000	**Carrying amount at 1 January 2019 RMB'000**
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property and equipment	1,952,043	372,867	**2,324,910**
Total non-current assets	8,908,405	372,867	**9,281,272**
Other receivables	1,255,940	(6,697)	**1,249,243**
Total current assets	2,680,900	(6,697)	**2,674,203**
Lease liabilities (current)	–	36,383	**36,383**
Current liabilities	987,881	36,383	**1,024,264**
Net current assets	1,693,019	(43,080)	**1,649,939**
Total assets less current liabilities	10,601,424	329,787	**10,931,211**
Lease liabilities (non-current)	–	329,787	**329,787**
Total non-current liabilities	2,087,877	329,787	**2,417,664**
Net assets	8,513,547	–	**8,513,547**

2 Changes in accounting policies *(Continued)*

IFRS 16, Leases *(Continued)*

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to IFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**37,843**	**58,897**	36,383	50,880
After 1 year but within 2 years	**32,502**	**51,345**	36,729	49,370
After 2 years but within 5 years	**78,452**	**118,392**	84,841	123,465
After 5 years	**199,805**	**234,866**	208,217	266,066
	310,759	**404,603**	329,787	438,901
	348,602	**463,500**	366,170	489,781
Less: total future interest expenses		**(114,898)**		(123,611)
Present value of lease liabilities		**348,602**		366,170

(e) 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.

2 Changes in accounting policies *(Continued)*

IFRS 16, Leases *(Continued)*

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

The following tables may give an indication of the estimated impact of adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under IFRS 16 in these interim 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 to 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.

	2019				2018
	Amounts reported under IFRS 16 (A) RMB'000	Add back: IFRS 16 depreciation and interest expense (B) RMB'000	Deduct: Estimated amounts related to operating leases as if under IAS 17 (Note 1) (C) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C) RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:					
Profit/(loss) from operations	259,034	24,817	26,281	257,570	(20,034)
Finance expenses	(27,379)	8,713	–	(18,666)	(190)
Profit/(loss) before taxation	269,144	33,530	26,281	276,393	(7,592)
Profit/(loss) for the period	188,147	33,530	26,281	195,396	(49,567)

2 Changes in accounting policies *(Continued)*

IFRS 16, Leases *(Continued)*

(e) 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 (Notes 1 & 2) (B) RMB'000	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 condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	456,532	(26,281)	430,251	70,507
Net cash generated from/(used in) operating activities	344,578	(26,281)	318,297	(15,248)
Capital element of lease rentals paid	(17,568)	17,568	–	–
Interest element of lease rentals paid	(8,713)	8,713	–	–
Net cash used in financing activities	(191,521)	26,281	(165,240)	–

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 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 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 still applied.

3 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
Revenue from contracts with customers within the scope of IFRS 15		
Commission income	**539,783**	353,065
Revenue from other sources		
Operating lease	**198,791**	130,648
	738,574	483,713

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.

4 Other income

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Market service fee income	**78,280**	53,215
Net realised and unrealised loss on financial assets measured at fair value through profit or loss ("FVPL")	**(1,689)**	–
Others	**–**	54
	76,591	53,269

5 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
	179,453	126,875

(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
	37,489	12,632
Finance expenses		
— Interest on bank loans	**(16,689)**	–
— Interest on lease liabilities	**(8,713)**	–
— Bank charges and others	**(1,977)**	(190)
	(27,379)	(190)
	10,110	12,442

5 Profit/(loss) before taxation *(Continued)*

(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. See Note 2.

6 Income tax

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

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

(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.

7 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 15(b).

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.

8 Property and equipment

(a) Right-of-use assets

As discussed in Note 2, 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).

9 Other assets

Other assets mainly represent financial assets measured at FVPL and lease incentive as at 31 December 2018.

(i) Financial assets measured at FVPL

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

(ii) 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.

10 Other receivables

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Amounts due from related parties	*18(c)*	**399,122**	400,048
Loans to third parties	*(i)*	**593,311**	572,274
Receivable for disposal of property and equipment	*(ii)*	**182,512**	181,794
Amounts due from a third party	*(iii)*	**14,810**	–
Others		**128,173**	101,824
		1,317,928	1,255,940

(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 financial report.

(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.

11 Cash at bank and on hand

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Cash on hand	**23,848**	26,665
Cash at bank	**1,436,939**	1,327,405
	1,460,787	1,354,070
Representing:		
— Cash and cash equivalents	**1,460,787**	1,354,070
	1,460,787	1,354,070

12 Bank loans

(a) The short-term bank loans are analysed as follows:

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank loans, secured by property and equipment		**130,000**	130,000
		130,000	130,000
Add: current portion of long-term bank loans	*12(b)*	**95,500**	68,500
		225,500	198,500

(b) The long-term bank loans are analysed as follows:

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Bank loans, secured by investment properties and guaranteed by third parties		**327,000**	347,000
Bank loans, secured by investment properties		**94,180**	94,680
		421,180	441,680
Less: current portion of long-term bank loans	*12(a)*	**(95,500)**	(68,500)
		325,680	373,180

The long-term bank loans are repayable as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 year	**95,500**	68,500
After 1 year but within 2 years	**51,000**	73,500
After 2 years but within 5 years	**242,680**	242,680
After 5 years	**32,000**	57,000
	421,180	441,680

12 Bank loans *(Continued)*

(c) The following assets and their respective carrying values at 30 June 2019 and 31 December 2018 are pledged to secure the Group's bank loans:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Property and equipment	**842,117**	847,770
Investment properties	**464,114**	441,762
	1,306,231	1,289,532

(d) Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the loan would become repayable on demand. At 30 June 2019, none of the covenants relating to the bank loans had been breached.

13 Other payables

	Note	**At 30 June 2019 RMB'000**	At 31 December 2018 RMB'000
Construction payables		**88,326**	82,885
Other taxes payable		**5,455**	5,261
Amounts due to related parties	*18(c)*	**2,887**	10,892
Salary and welfare expenses payable		**30,394**	65,893
Professional service fee payables		**6,185**	6,302
Others		**39,119**	33,931
Financial liabilities measured at amortised cost		**172,366**	205,164
Receipt-in-advance		**154,199**	79,809
Deposits	*(i)*	**333,935**	381,865
		660,500	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.

14 Deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the period are as follows:

	Government grants RMB'000	Revaluation of investment properties RMB'000	Deferred tax liabilities arising from business combination RMB'000	Total RMB'000
At 1 January 2018	–	–	(1,424,400)	(1,424,400)
Acquisition of business	–	(49,044)	(319,497)	(368,541)
Credited/(charged) to profit or loss	676	(4,072)	85,521	82,125
At 31 December 2018	676	(53,116)	(1,658,376)	(1,710,816)
At 1 January 2019	**676**	**(53,116)**	**(1,658,376)**	**(1,710,816)**
(Charged)/credited to profit or loss	**(37)**	**(7,944)**	**45,866**	**37,885**
At 30 June 2019	**639**	**(61,060)**	**(1,612,510)**	**(1,672,931)**

Deferred tax liabilities mainly represent the deferred tax liabilities recognised as a result of the acquisition of agriculture wholesale markets business in July 2015 and the Hangzhou Acquisition in July 2018. It was reversed in line with the amortisation of the intangible asset and the depreciation of the property and equipment identified during the acquisitions.

15 Capital, reserves and dividends

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

There was no interim dividend declared attributable to the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial years, approved and paid during the interim period

The directors of the Company did not recommend the payment of a final dividend attributable to the previous financial years during the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

15 Capital, reserves and dividends *(Continued)*

(b) 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
Authorised:				
At beginning of period/year				
Ordinary shares of HKD0.01 each	**150,000,000**	150,000,000		
Share Consolidation (i)	**(135,000,000)**	–		
At end of period/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 period/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 period/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 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.

15 Capital, reserves and dividends *(Continued)*

(c) Shares held for share award scheme

On 28 August 2018, the Company adopted a share award scheme (the "Share Award Scheme") with a duration of ten years. The specific objectives of the Share Award Scheme are (i) to 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) to attract suitable personnel for further development of the Group. Up to 30 June 2019, the board of directors of the Company has not issued any shares or granted any awarded shares under the Share Award Scheme to any selected employees. During the six months ended 30 June 2019, 491,778,000 shares (equivalent to 49,177,800 shares after the Share Consolidation) were acquired from the market (year ended 31 December 2018: 633,844,000 shares (equivalent to 63,384,400 shares after the Share Consolidation)).

During the period ended 30 June 2019, the Company purchased its own shares through an independent trustee on the Stock Exchange as follows:

Month/year	**Number of shares purchased**	**Highest price paid per share**	**Lowest price paid per share**	**Total amount paid**
		HKD	HKD	RMB'000
January 2019	491,778,000	0.2950	0.2600	122,051
				122,051

(d) Capital management

The Group's primary objectives on managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its operation of agriculture wholesale markets, and provide returns to shareholders, by pricing rental and property management services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure its obligations and commitments are met. A proactive approach is taken to forecasting future funding requirements and, when funds are needed, market conditions are evaluated to determine the best form of finance to be secured.

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. At 30 June 2019, the gearing ratio of the Group was 7.53% (31 December 2018: 4.93%).

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 adoption had no significant impact on the capital management of the Group.

The Group is not subject to externally imposed capital requirements.

16 Operating lease

(a) Leases as lessor

The future minimum lease receivables under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Less than one year	151,635	34,328
Between one and two years	5,484	–
	157,119	34,328

(b) Leases as lessee

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties RMB'000
Less than one year	162,814
Between one and five years	617,922
More than five years	1,782,819
	2,563,555

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in Note 2.

17 Capital commitments

As at 30 June 2019 and 31 December 2018, the Group has the following commitments not provided for in the financial statements:

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Contracted for	**44,408**	16,789

18 Material related party transactions and balances

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Salaries and other emoluments	**26,292**	35,593
Contributions to defined contribution retirement plans	**309**	115
	26,601	35,708

(b) Material related party transactions

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Operating lease expense paid to related parties	**52,176**	49,643
Lease prepayment to related parties	**(52,255)**	(54,381)
Advances from related parties	**–**	2,136

18 Material related party transactions and balances *(Continued)*

(c) Related party balances

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Amounts due to related parties			
— Mr. Dai Yongge*		–	(7,657)
— Entities under control of Ms. Zhang Xingmei**		**(2,887)**	(3,235)
	13	**(2,887)**	(10,892)
Amounts due from related parties			
— Mr. Dai Yongge*	*(i)*	**49,122**	50,048
— Harbin Dili Fresh Agricultural Produce Enterprise Management Company Limited ("Harbin Dili Fresh")	*(i)*	**350,000**	350,000
	10	**399,122**	400,048
		396,235	389,156

* Mr. Dai Yongge, a controlling shareholder, a former director and the former chairman of the Company, resigned in September 2018.

** Ms. Zhang Xingmei, a controlling shareholder and a former non-executive director of the Company and the spouse of Mr. Dai Yongge, resigned in December 2018.

(i) On 11 September 2018, Harbin Dili Agricultural Produce and Side Products Co., Ltd.* (哈爾濱地利農副產品有限公司) (the "Harbin Dili Agricultural"), a wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding (the "MOU") under which Mr. Dai Yongge, currently a controlling shareholder of the Company, proposed to sell or procure to sell and Harbin Dili Agricultural proposed to acquire the equity interest of Harbin Dili Fresh, which is principally engaged in agricultural produce wholesale and retail operations across China.

In consideration for the exclusivity period (a 180-day period after the date of execution of the MOU or such other date as agreed between the parties to the MOU) (the "Exclusivity Period") to conduct due diligence and negotiations of the definitive and formal binding agreement, the Group paid Mr. Dai Yongge and Harbin Dili Fresh, an aggregate sum of RMB400 million as deposit in accordance with the terms and conditions of the MOU. At 31 December 2018, the Group had paid RMB50 million and RMB350 million to Mr. Dai Yongge and Harbin Dili Fresh, respectively. On 7 March 2019, Mr. Dai Yongge, Harbin Dili Fresh and Harbin Dili Agricultural entered into a supplemental agreement to the MOU, pursuant to which the Exclusivity Period was extended for another 180 days after the expiry of the original exclusivity period as defined in the MOU (or such other date which the parties may agree in writing). On 29 August 2019, a further announcement in relation to the acquisition was made with details as disclosed in Note 19.

* For identification purpose only

19 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 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 as disclosed in Note 18(c)(i).

20 Comparative figures

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2.

Independent Review Report

Review report to the board of directors of
China Dili Group
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 17 to 49 which comprises the consolidated statement of financial position of China Dili Group (the "Company") as of 30 June 2019 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 August 2019