

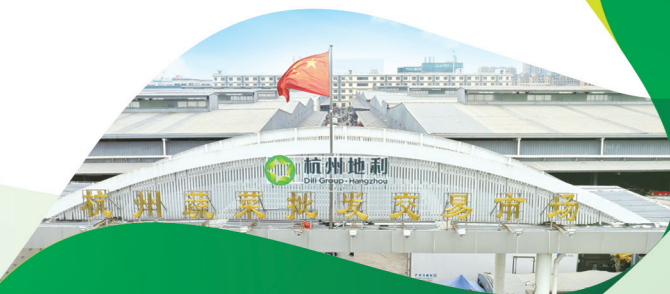


中国地利集团 China Dili Group

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

INTERIM REPORT

2020





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Corporate Information

Directors

Executive Directors

Wang Yan (Chairman)
Dai Bin (Chief Executive Officer)
Qin Xiang (Chief Operating 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
Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance

Registered Office

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

Principal Place of Business in Hong Kong

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Wanchai
Hong Kong

China Offices

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No. 8 Guanghua Jia Road
Chaoyang District
Beijing, China

Room 1705, China Resources Building
Yuehai Sub-district Office
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
Email: ir@dili.com.hk

Chairman's Statement

During the first half of 2020, in the face of the sudden and unprecedented COVID-19 pandemic outbreak, China Dili Group had overcome all the challenges. We honoured and performed our social responsibilities to fight against the pandemic and to ensure stable supply of fresh food with enormous success. On the other hand, we had also accelerated and made good progress in implementing our business transformation plan. With the joint efforts of all our staff, we recorded a net profit of RMB140 million during the first half of 2020.

In the beginning of 2020 when the outbreak of COVID-19 pandemic was still at the early stage, we were already on high alert and had been monitoring the situation closely. On 22 January 2020, we immediately implemented our “anti-pandemic emergency management measures”. Our mission and responsibility were to ensure supply of fresh food to cities and communities at stable price. We mobilized all our resources and spent every effort in keeping our markets opened for operation while ensuring a safe trading and working proximity for our customers and staff respectively. To achieve this, we strictly controlled entry of all vehicles, goods and, customers by conducting mandatory examination at the entry gates. We also conducted thorough disinfection of all corners and spaces in our markets and provided prompt updates on the situation and arranged our key operation staff to conduct COVID-19 DNA tests.

During this tough situation, we took various measures to assist and support our customers for their operation and trading, so to ensure stable supply of fresh food to cities and other regions. Such measures include reduction of rent and fees of our markets, assistance provided to our customers in cross-region trading as well as online sales. Our Shouguang Market also closely worked with the government to undertake the mission of “guaranteed supply” of vegetables to Beijing and Wuhan. In addition, we have made a donation of RMB15,000,000 to Wuhan to support local communities. The contribution we made to our country and the responsibilities we had undertaken earned the attention and high recognition of Ministry of Commerce and other government authorities at State level, as well as high praises by the public across.

During the first half of the year, the Group made a step further in optimizing our organization structure and management system. We made a big progress by setting up a “management headquarter” in Qianhai, Shenzhen and continued to optimize the internal management policies in five major areas, including human resources, financial management, information technology, corporate culture, and brand promotion. As a result, the management system of China Dili Group has been further improved.

During the period, we also made significant progress in building our supply chain service system and made headway to “plug-in” the new functions into our proposed all-in-one supply chain services system, namely the function of food safety tracking, “intelligent” wholesale market operation, supply-side finance, collective-purchase and delivery services. Meanwhile, progress had been made in the design and planning of our new market, namely Kunming International Agricultural Produce Logistic Park (the “Kunming Market”). The Kunming Market will further expand the Group’s strategic presence in the agricultural product distribution sector. In addition, the Group had also accelerated the acquisition of land and assets of its existing wholesale markets.

Finally, on behalf of China Dili Group, I am very grateful to all the recognition and praises paid to our Group. China Dili Group will continue lifting up the mission and responsibilities rested on us as part of the frontline roles in ensuring the livelihood of our country with stable supply of quality fresh food. We will also go forward in our new quest in transforming into a fresh food supply services platform and becoming “the most trusted provider of fresh food distribution services in China”.

Wang Yan
Chairman

27 August 2020

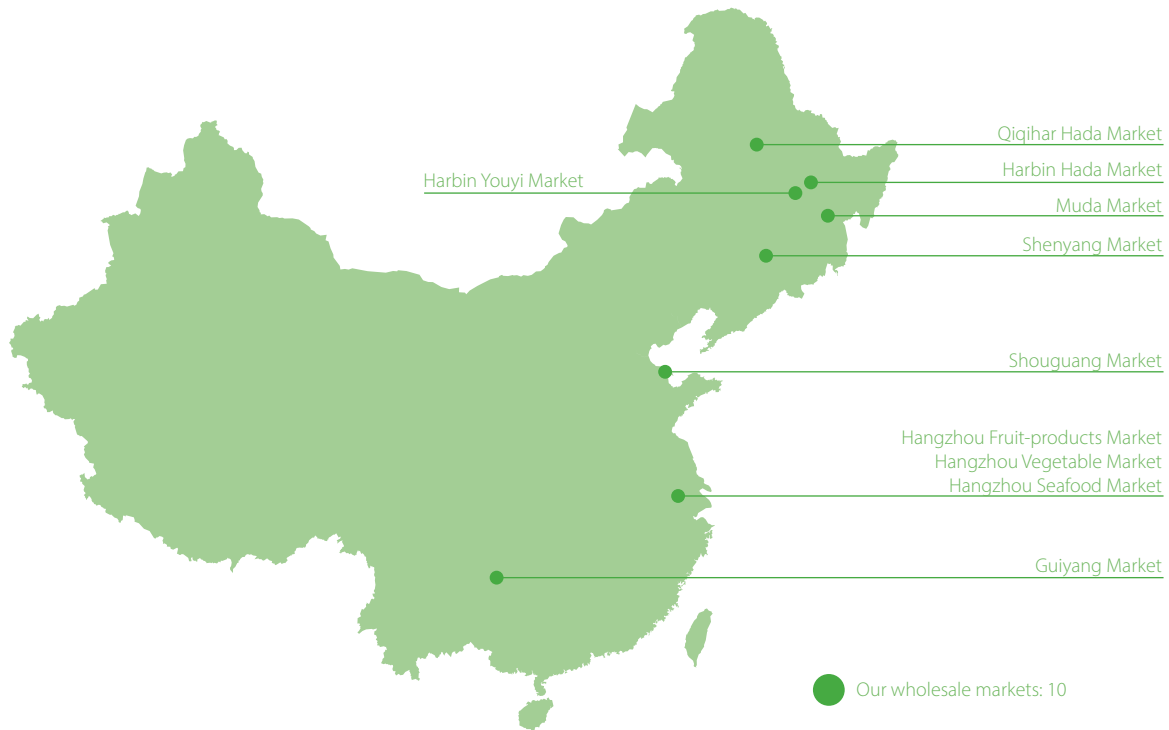




Management Discussion and Analysis

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.



Hangzhou Dili Logistic Park Cluster* (杭州地利物流園集群) (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 agriculture 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 market business.

No. of wholesale markets	Total GFA [#]	Revenue Six months ended 30 June 2020
3	Approximately 245,017 sq.m.	RMB179.9 million

* For identification purpose only

[#] "GFA" represents Gross Floor Area.

Management Discussion and Analysis

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

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

Shenyang 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 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 Market is located in Dadong District within the city of Shenyang.

Shenyang 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 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 2020
1 (divided into several markets for different commodities)	Approximately 264,517 sq.m.	RMB183.1 million

Guiyang Agricultural Produce Logistic Park* (貴陽農產品物流園) (“Guiyang Market”)

The logistic hub in Southwest China

Guiyang Market 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.

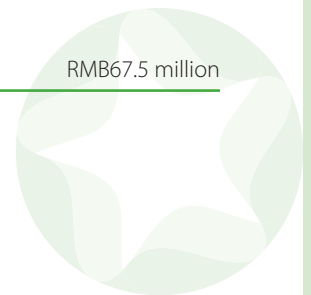
Through years of our efforts, Guiyang Market has now become the largest agricultural produce distribution center among the nine provinces of Southwest and Northwest region of China and extended its geographical coverage to Guangxi Province, Hunan Province and Hubei Province.

Guiyang Market 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 program promoted by the State.

No. of wholesale markets	Total GFA#	Revenue Six months ended 30 June 2020
1	Approximately 187,081 sq.m.	RMB67.5 million

* For identification purpose only

“GFA” represents Gross Floor Area.





Management Discussion and Analysis

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 Cluster 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 cluster, 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 Market”) 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 and East of Inner Mongolia region.

Muda Market, 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 2020
4	Approximately 440,842 sq.m.	RMB177.9 million

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

Largest integrated agriculture logistic park in Asia

Shouguang Market is currently the largest integrated agriculture logistic park in Asia in terms of site area which amounts to 1,123,925 sq.m.. The market is divided into 6 functional zones, including fruit trading, vegetable trading, seeds trading and e-commerce business zones etc. Shouguang Market 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 Market serves as the approved national official price indices in China.

No. of wholesale markets	Total GFA#	Revenue Six months ended 30 June 2020
1	Approximately 545,457 sq.m.	RMB80.9 million

* For identification purpose only

“GFA” represents Gross Floor Area.

Management Discussion and Analysis

Business Review

Hada Acquisition

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

The Hada Acquisition was approved by the independent shareholders on 24 June 2020 and completion had taken place on 21 August 2020. Pursuant to the completion of the Hada Acquisition, the convertible bonds of the principal amount of HKD4,405,286,344 (equivalent to RMB4 billion) for the settlement of the consideration was issued in favour of New Amuse Limited (“New Amuse”), a connected person of the Company and also the holding company which owns the target entities of the Hada Acquisition. On the same day, New Amuse fully exercised the conversion rights of the convertible bonds. As a result, a total of 2,702,629,658 shares have been allotted and issued to New Amuse by the Company.

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

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

Dili Fresh Acquisition

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





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.

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

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

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

The analysis by agriculture wholesale markets:

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

Management Discussion and Analysis

Revenue (Continued)

Notes:

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

Other Income

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

Administrative expenses

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

Other operating expenses

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

Finance income

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

Finance expenses

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





Management Discussion and Analysis

Liquidity and Financial Resources

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

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

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

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

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.

Management Discussion and Analysis

Capital Structure and Treasury Policy

The Group adopt conservative policies in managing cash resources and bank borrowings. 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 2020 and the residual balance to be used as at 30 June 2020 are as follows:

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





Management Discussion and Analysis

Charges on Assets

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

Capital Commitment

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

Contingent Liabilities

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

Gearing Ratio

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

Human Resources

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

Dividend

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

Other Information

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

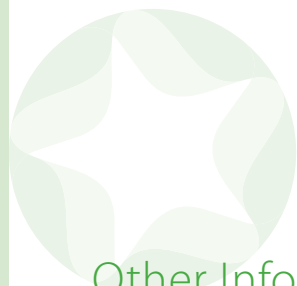
As at 30 June 2020, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in 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
Ms. Qin Xiang	Interest of spouse	Long position	800,000	0.01%
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 2020, 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).





Other Information

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

As at 30 June 2020, 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	Nature of interest Number of issued shares/ (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)	3,514,336,975 (L)	61.49%
	Interest in a controlled corporation	6,655,629 (S)	0.12%
Super Brilliant Investments Limited	Beneficial owner (Note 2)	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)	3,514,336,975 (L)	61.49%
	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	3,514,336,975 (L)	61.49%
Shouguang Dili Agri-products Group Company Limited	Interest in a controlled corporation (Note 4)	3,514,336,975 (L)	61.49%
Dili Group Holdings Company Limited	Interest in a controlled corporation (Note 4)	3,514,336,975 (L)	61.49%
Win Spread Limited	Interest in a controlled corporation (Note 4)	3,514,336,975 (L)	61.49%

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

Notes:

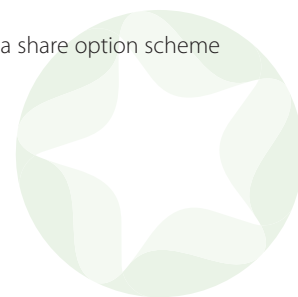
- (1) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.
- (2) Among 2,111,021,532 shares of the Company deemed to be interested by Mr. Dai Yongge, 15,912,000 shares are held by Gloss Season Limited ("Gloss Season"), 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, 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 Holdings"). Dili Group Holdings 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"). As at 30 June 2020, among the 3,514,336,975 shares of the Company interested in by New Amuse, (i) 811,707,317 shares were held by New Amuse and (ii) 2,702,629,658 shares represented the conversion shares (the "Conversion Shares") convertible from a convertible bond in the aggregate principal amount of HKD4,405,286,344, based on the initial conversion price of HKD1.63 per share, to be issued by the Company to New Amuse upon completion of the Hada Acquisition (the "Convertible Bond"). Accordingly, each of Ms. Zhang Xingmei, Win Spread, Dili Group Holdings and Shouguang Dili is deemed to be interested in the 3,514,336,975 shares interested in by New Amuse. On 21 August 2020, the Convertible Bond had been issued by the Company to New Amuse and New Amuse had fully exercised its conversion right under the Convertible Bond immediately thereafter. Accordingly, all Conversion Shares had been allotted and issued to New Amuse on the same day.
- (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 2020, 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.





Other Information

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

Purchase, Sale or Redemption of the Company's Listed Securities

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

Corporate Governance Practices

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

Model Code for Securities Transactions by Directors

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

Audit Committee

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

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020 — unaudited



	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000 (restated)
Revenue	3	689,299	738,574
Other income	4	80,505	78,280
Administrative expenses		(304,614)	(278,841)
Other operating expenses		(135,188)	(159,208)
Profit from operations		330,002	378,805
Net unrealised gain/(loss) on financial assets measured at fair value through profit or loss		73,162	(1,689)
Net valuation (loss)/gain on investment properties		(179,863)	130,368
Finance income		24,325	37,489
Finance expenses		(54,737)	(58,977)
Net finance expenses	5(b)	(30,412)	(21,488)
Profit before taxation	5	192,889	485,996
Income tax	6	(50,882)	(135,210)
Profit for the period		142,007	350,786
Attributable to:			
Equity shareholders of the Company		137,184	341,964
Non-controlling interests		4,823	8,822
Profit for the period		142,007	350,786
Basic and diluted earnings per share (RMB cents)	7	2.45	6.10

The notes on pages 25 to 43 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020 — unaudited

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000 (restated)
Profit for the period	142,007	350,786
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	4,653	9,555
Total comprehensive income for the period	146,660	360,341
Attributable to:		
Equity shareholders of the Company	141,837	351,519
Non-controlling interests	4,823	8,822
Total comprehensive income for the period	146,660	360,341



The notes on pages 25 to 43 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2020 — unaudited



	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Property and equipment	8	4,981,581	4,778,359
Investment properties	9	4,591,000	4,768,900
Intangible assets		12,880	12,630
Goodwill		1,094,526	1,094,526
Other assets	10	999,583	927,677
Other receivables	11	620,460	255,460
Deferred tax assets	15	563	601
Total non-current assets		12,300,593	11,838,153
Current assets			
Inventories		65,878	44,337
Other receivables	11	496,783	948,968
Cash at bank and on hand	12	817,478	671,619
Other assets	10	11,248	2,262
Total current assets		1,391,387	1,667,186
Current liabilities			
Bank loans	13	336,186	173,500
Other payables	14	686,121	860,281
Lease liabilities		85,339	125,617
Taxation		125,286	114,698
Total current liabilities		1,232,932	1,274,096
Net current assets		158,455	393,090
Total assets less current liabilities		12,459,048	12,231,243

Consolidated Statement of Financial Position

At 30 June 2020 — unaudited

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current liabilities			
Bank loans	13	312,080	299,680
Lease liabilities		1,513,883	1,447,037
Deferred tax liabilities	15	1,602,740	1,657,844
Deferred income		2,881	2,404
Total non-current liabilities		3,431,584	3,406,965
Net assets			
Capital and reserves			
Share capital	16(a)	478,794	478,794
Reserves		8,263,516	8,134,133
Total equity attributable to equity shareholders of the Company		8,742,310	8,612,927
Non-controlling interests		285,154	211,351
Total equity		9,027,464	8,824,278



The notes on pages 25 to 43 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 — unaudited

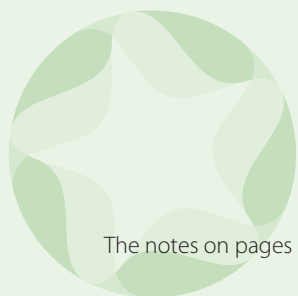


	Attributable to equity shareholders of the Company											
	Share capital RMB'000 Note 16(a)	Share premium RMB'000	Capital redemption reserve RMB'000	Capital surplus RMB'000	Statutory reserve fund RMB'000	Shares held for share award scheme RMB'000 Note 16(b)	Exchange reserves RMB'000	Merger reserves RMB'000	Accumulated losses RMB'000 (restated)	Total RMB'000 (restated)	Non-controlling interests RMB'000	Total equity RMB'000 (restated)
Balance at 1 January 2019 (restated)	478,794	15,578,813	7,508	129,488	806,633	(138,796)	(83,213)	128,704	(8,744,106)	8,163,825	111,830	8,275,655
Changes in equity for the six months ended 30 June 2019:												
Profit for the period (restated)	-	-	-	-	-	-	-	-	341,964	341,964	8,822	350,786
Other comprehensive income	-	-	-	-	-	-	9,555	-	-	9,555	-	9,555
Total comprehensive income	-	-	-	-	-	-	9,555	-	341,964	351,519	8,822	360,341
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 and 1 July 2019 (restated)	478,794	15,578,813	7,508	129,488	810,961	(260,847)	(73,658)	128,704	(8,406,470)	8,393,293	114,652	8,507,945
Changes in equity for the six months ended 31 December 2019												
Profit for the period	-	-	-	-	-	-	-	-	215,321	215,321	4,348	219,669
Other comprehensive income	-	-	-	-	-	-	25,129	-	-	25,129	-	25,129
Total comprehensive income	-	-	-	-	-	-	25,129	-	215,321	240,450	4,348	244,798
Transfer to reserve fund	-	-	-	-	65,661	-	-	-	(65,661)	-	-	-
Shares purchased for the share award scheme	-	-	-	-	-	(12,440)	-	-	-	(12,440)	-	(12,440)
Capital contribution	-	-	-	-	-	-	-	-	-	-	97,020	97,020
Acquisition of non-controlling interests	-	-	-	(8,376)	-	-	-	-	-	(8,376)	(4,669)	(13,045)
Balance at 31 December 2019	478,794	15,578,813	7,508	121,112	876,622	(273,287)	(48,529)	128,704	(8,256,810)	8,612,927	211,351	8,824,278

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 — unaudited

	Attributable to equity shareholders of the Company											
	Share capital RMB'000 Note 16(a)	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 16(b)	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 2020	478,794	15,578,813	7,508	121,112	876,622	(273,287)	(48,529)	128,704	(8,256,810)	8,612,927	211,351	8,824,278
Changes in equity for the six months ended 30 June 2020:												
Profit for the period	-	-	-	-	-	-	-	-	137,184	137,184	4,823	142,007
Other comprehensive income	-	-	-	-	-	-	4,653	-	-	4,653	-	4,653
Total comprehensive income	-	-	-	-	-	-	4,653	-	137,184	141,837	4,823	146,660
Shares purchased for the share award scheme	-	-	-	-	-	(12,454)	-	-	-	(12,454)	-	(12,454)
Capital contribution	-	-	-	-	-	-	-	-	-	-	77,980	77,980
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(9,000)	(9,000)
Balance at 30 June 2020	478,794	15,578,813	7,508	121,112	876,622	(285,741)	(43,876)	128,704	(8,119,626)	8,742,310	285,154	9,027,464



The notes on pages 25 to 43 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020 — unaudited



	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000 (restated)
Operating activities			
Cash generated from operations		249,010	507,663
Income tax paid		(95,360)	(111,954)
Net cash generated from operating activities		153,650	395,709
Investing activities			
Purchase of financial assets measured at fair value through profit or loss		(154,000)	—
Proceeds from sales of financial assets measured at fair value through profit or loss		154,234	25,321
Purchase of property and equipment		(305,775)	(67,753)
Government grant received		3,613	—
Payment for loans and advances to third parties		—	(1,013,864)
Payment for loans to related parties		(365,000)	—
Proceeds from repayment of loans and advances to third parties		432,688	958,691
Prepayment of deposit for acquisition of a project		—	(25,000)
Proceeds from repayment of deposit for acquisition of a project		25,000	—
Decrease in time deposits		20,000	—
Interest received		41,088	75,447
Other cash flows generated from investing activities		118	730
Net cash used in investing activities		(148,034)	(46,428)

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020 – unaudited

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000 (restated)
Financing activities			
Interest paid		(15,027)	(16,689)
Capital element of lease rentals paid		(17,976)	(37,101)
Interest element of lease rentals paid		(38,922)	(40,311)
Purchase of shares for the share award scheme		(12,454)	(122,051)
Repayment of bank loans		(179,500)	(120,500)
Proceeds from bank loans		354,586	100,000
Dividends paid to non-controlling interests		(9,000)	(6,000)
Capital contribution received from non-controlling interests		77,980	–
Net cash generated from/(used in) financing activities		159,687	(242,652)
Net increase in cash and cash equivalents		165,303	106,629
Cash and cash equivalents at 1 January		651,619	1,354,070
Effect of foreign exchange rate changes		556	88
Cash and cash equivalents at 30 June	12	817,478	1,460,787



The notes on pages 25 to 43 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 27 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 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 2019 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 44.

2 Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

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

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

Notes to the Unaudited Interim Financial Report

3 Revenue and segment reporting

(a) Disaggregation of revenue

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

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

(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	
	2020 RMB'000	2019 RMB'000
Market service fee income	73,451	78,280
Government grants	3,136	–
Financial guarantee income	3,710	–
Others	208	–
	80,505	78,280





Notes to the Unaudited Interim Financial Report

5 Profit before taxation

(a) Personnel expenses

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

(b) Net finance expenses

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

Notes to the Unaudited Interim Financial Report

5 Profit before taxation (Continued)

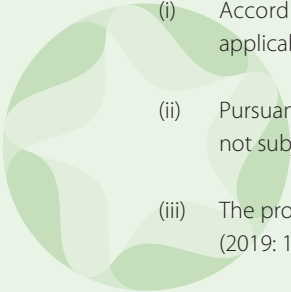
(c) Other items

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

6 Income tax

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

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

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



Notes to the Unaudited Interim Financial Report

7 Basic and diluted earnings per share

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

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

8 Property and equipment

(a) Right-of-use assets

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

(b) Acquisitions and disposals of owned assets

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

9 Investment properties

Valuation

The valuations of investment properties carried at fair value were updated at 30 June 2020 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2019 valuations.

As a result of the update, a net loss of RMB179,863,000 (six months ended 30 June 2019 (restated): a net gain of RMB130,368,000), and deferred tax thereon of RMB43,702,000 (six months ended 30 June 2019 (restated): RMB33,906,000), has been recognised/reversed in profit or loss for the period in respect of investment properties.

Notes to the Unaudited Interim Financial Report

10 Other assets

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Financial assets measured at fair value through profit or loss ("FVPL")			
— Investment in Dili Fresh	(i)	549,000	531,274
— Derivative financial instrument embedded in investment in Dili Fresh	(i)	448,000	392,564
Lease incentives	(ii)	13,831	6,101
		1,010,831	929,939
Representing:			
— Non-current		999,583	927,677
— Current		11,248	2,262
		1,010,831	929,939

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

On 31 October 2019, Yield Smart Limited ("Yield Smart"), a wholly-owned subsidiary of the Company, has acquired 19% of the entire issued share capital (the "Target Shares") of Million Master Investment Limited ("Million Master"), a company incorporated in the BVI (the "Dili Fresh Acquisition"). Million Master and its subsidiaries (collectively the "Dili Fresh") operate through their 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".

Plenty Business Holdings Limited (the "Vendor") has granted Yield Smart with the call option and the put option under some conditions, under which Yield Smart has the right (but no obligation) to acquire from the Vendor the remaining shares or sell back the Target Shares to the Vendor. Yield Smart may exercise either the call option or the put option but not both.

(ii) Lease incentives

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





Notes to the Unaudited Interim Financial Report

11 Other receivables

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Amounts due from related parties	20(b)	614,692	236,804
Loans to third parties		–	460,006
Receivable for disposal of property and equipment	(i)	184,205	179,751
Amounts due from a third party	(ii)	31,946	31,946
Deposits	(iii)	200,000	225,000
Other debtors		39,944	28,513
Financial assets measured at amortised cost		1,070,787	1,162,020
Prepayments		46,456	42,408
		1,117,243	1,204,428
Representing:			
— Non-current		620,460	255,460
— Current		496,783	948,968
		1,117,243	1,204,428

(i) Receivable for disposal of property and equipment

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

(ii) Amounts due from a third party

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

(iii) Deposits

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

Notes to the Unaudited Interim Financial Report

12 Cash at bank and on hand

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Cash on hand	3,853	6,712
Cash at bank	813,625	664,907
	817,478	671,619
Representing:		
— Cash and cash equivalents	817,478	651,619
— Time deposits with original maturity over three months	—	20,000
	817,478	671,619

13 Bank loans

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
	100,000	100,000
	184,586	—
	284,586	100,000
Add: current portion of long-term bank loans	51,600	73,500
	336,186	173,500





Notes to the Unaudited Interim Financial Report

13 Bank loans (Continued)

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

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Bank loans, secured by investment properties and guaranteed by third parties		–	22,500
Bank loans, secured by investment properties		363,680	350,680
		363,680	373,180
Less: current portion of long-term bank loans	13(a)	(51,600)	(73,500)
		312,080	299,680

The long-term bank loans are repayable as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 year	51,600	73,500
After 1 year but within 2 years	113,280	142,680
After 2 years but within 5 years	198,800	141,000
After 5 years	–	16,000
	363,680	373,180

(c) The following assets and their respective carrying values at 30 June 2020 and 31 December 2019 are pledged to secure the Group's bank loans:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Property and equipment	678,868	700,815
Investment properties	519,205	495,084
	1,198,073	1,195,899

Notes to the Unaudited Interim Financial Report

14 Other payables

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Construction payables		89,874	96,232
Other taxes payable		5,913	8,543
Amounts due to related parties	20(b)	1,695	12,614
Salary and welfare expenses payable		18,289	94,113
Professional service fee payables		10,383	7,373
Deposits	(i)	346,100	368,721
Others		66,679	46,553
Financial liabilities measured at amortised cost		538,933	634,149
Receipt-in-advance		147,188	226,132
		686,121	860,281

- (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.

15 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	Depreciation charge of right-of-use assets RMB'000	Revaluation of investment properties RMB'000	Deferred tax liabilities arising from business combinations RMB'000	Revaluation of financial assets measured at FVPL RMB'000	Total RMB'000
At 1 January 2019	676	–	(53,116)	(1,658,376)	–	(1,710,816)
Impact on initial application of IFRS 16 (Charged)/credited to profit or loss	– (75)	– (555)	(794,293) (63,375)	873,590 38,281	– –	79,297 (25,724)
At 31 December 2019 and 1 January 2020	601	(555)	(910,784)	(746,505)	–	(1,657,243)
(Charged)/credited to profit or loss	(38)	(423)	43,702	19,141	(7,316)	55,066
At 30 June 2020	563	(978)	(867,082)	(727,364)	(7,316)	(1,602,177)



Notes to the Unaudited Interim Financial Report

16 Capital, reserves and dividends

(a) Share capital

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

Notes to the Unaudited Interim Financial Report

16 Capital, reserves and dividends (Continued)

(b) 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 2020, 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 2020, 5,702,000 shares were acquired from the market (six months ended 30 June 2019: 49,177,800 shares (after the Share Consolidation)).

During the period ended 30 June 2020, 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 HKD	Lowest price paid per share HKD	Total amount paid RMB'000
January 2020	4,192,000	2.60	2.33	9,337
February 2020	1,510,000	2.35	2.21	3,117
				12,454

(c) 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 2020 (six months ended 30 June 2019: Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, 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 2020 (six months ended 30 June 2019: Nil).





Notes to the Unaudited Interim Financial Report

17 Fair value measurement of financial instruments

Financial instruments measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a 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

The Group has a team headed by the finance manager performing valuations for the financial instruments, including unlisted equity securities. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

	Fair value at 30 June 2020 RMB'000	Fair value measurements as at 30 June 2020 categorised into level 3 RMB'000	Fair value at 31 December 2019 RMB'000	Fair value measurements as at 31 December 2019 categorised into level 3 RMB'000
Recurring fair value measurements				
Financial assets measured at FVPL				
— Investment in Dili Fresh	549,000	549,000	531,274	531,274
— Derivative financial instrument embedded in investment in Dili Fresh	448,000	448,000	392,564	392,564

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: nil). 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.

Notes to the Unaudited Interim Financial Report

17 Fair value measurement of financial instruments *(Continued)*

Financial instruments measured at fair value *(Continued)*

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Weighted average
Financial assets measured at FVPL			
— Investment in Dili Fresh	Market approach	Enterprise-value-to-sales multiple	1.09
		Discount for lack of marketability	30%
— Derivative financial instrument embedded in investment in Dili Fresh	Binomial options pricing model	Expected volatility	40.21%
		Expected probability	75%

The fair value of investment in Dili Fresh measured at FVPL are determined by market approach, within which enterprise-value-to-sales (“EV/Sales”) multiple is adopted. EV/Sales multiple is derived from the average of the average and median of EV/Sales multiplies of listed comparable companies. Meanwhile, the fair value is adjusted with discount for lack of marketability and cash/(debt) and non-operating assets/(liabilities).

The fair value of derivative financial instrument embedded in investment in Dili Fresh measured at FVPL are determined by binomial options pricing model. In calculating the fair value, the key inputs for those parameters of the binomial options pricing model are expected volatility, exercise probability, the fair value of investment in Dili Fresh, exercise price of the option, contractual life, risk-free rate, credit yield and expected dividend rate.





Notes to the Unaudited Interim Financial Report

17 Fair value measurement of financial instruments (Continued)

Financial instruments measured at fair value (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Investment in Dili Fresh and derivative financial instrument embedded in investment in Dili Fresh:		
At 1 January	923,838	–
Purchase of financial assets measured at FVPL	–	944,327
Net unrealised gain/(loss) on financial assets measured at FVPL	73,162	(20,489)
	997,000	923,838
Investments in trust units:		
At 1 January	–	1,800
Net unrealised loss on financial assets measured at FVPL	–	(1,800)
	–	–

Notes to the Unaudited Interim Financial Report

18 Operating lease

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 2020 RMB'000	At 31 December 2019 RMB'000
Less than one year	36,415	77,022
Between one and five years	67,960	87,297
More than five years	16,668	17,282
	121,043	181,601

19 Capital commitments

As at 30 June 2020 and 31 December 2019, the Group has the following commitments not provided for in the financial statements:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted for	40,766	49,680





Notes to the Unaudited Interim Financial Report

20 Material related party transactions and balances

(a) Material related party transactions

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Payment of rental expenses to related parties	(26,041)	(52,255)
Loans to related parties (i)	(365,000)	–
Interest income from loans to related parties (i)	12,887	–
Financial guarantee income (ii)	3,710	–
Repayment to related parties	(11,515)	–
Guarantees received from related parties	184,586	–
Guarantees provided to related parties (ii)	(145,000)	–

(i) As at 30 June 2020, the Group provided loans to Dili Fresh of RMB600,000,000, with interest rate of 6% per annum.

(ii) As at 30 June 2020, the Group provided guarantees to certain bank loans of Dili Fresh with total balances of RMB145,000,000, with financial guarantee income of RMB3,710,000 during the period.

(b) Related party balances

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Amounts due to related parties			
— Mr. Dai Yongge*		(963)	(944)
— Entities under control of Mr. Dai Yongge*		–	(11,515)
— Entities under control of Ms. Zhang Xingmei**		(732)	(155)
	14	(1,695)	(12,614)
Amounts due from related parties			
— Mr. Dai Yongge*		48	48
— Dili Fresh		614,644	236,756
	11	614,692	236,804
		612,997	224,190
Right-of-use assets		6,209,616	6,454,214
Lease liabilities		(1,235,529)	(1,241,871)

* Mr. Dai Yongge, a controlling shareholder of the Company and the spouse of Ms. Zhang Xingmei.

** Ms. Zhang Xingmei, a controlling shareholder of the Company and the spouse of Mr. Dai Yongge.

Notes to the Unaudited Interim Financial Report

21 Non-adjusting events after the reporting period

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

The total consideration for the Hada Acquisition is RMB4.0 billion (equivalent to approximately HKD4.4 billion), which shall be fully settled by the issuance of the convertible bond by the Company.

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

On the same day of the completion of Hada Acquisition, upon issuance of the convertible bond by the Company in favour of New Amuse, New Amuse has fully exercised its conversion rights in respect of the convertible bond in the principal amount of HKD4,405,286,344 (equivalent to approximately RMB4.0 billion) under the terms and conditions of the convertible bond. As a result of the conversion, 2,702,629,658 conversion shares have been allotted and issued to New Amuse by the Company.

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

22 Comparative figures

As disclosed in note 21, the Company, Yield Smart and New Amuse entered into the Hada Acquisition Agreement in 2018, under which Yield Smart conditionally agreed to acquire the entire issued share capital of United Progress in respect of the Hada Acquisition. When preparing the Company’s interim financial report for the six months ended 30 June 2019, the Hada Acquisition was expected to be completed during the year ended 31 December 2019 and accordingly the Company has taken advantage of the transitional practical expedient of not applying the requirements of IFRS 16 to leases for which the remaining lease terms end within 12 months from the date of initial application of IFRS 16. Subsequent to the issuance of the 2019 interim financial report, in light of the developments related to the Hada Acquisition, the management of the Company re-assessed the lease terms of the leases with the subsidiaries of United Progress at the date of initial application of IFRS 16, determined that it was no longer reasonably certain that these lease agreements would be terminated within 12 months from that date, and capitalised these leases from 1 January 2019 under the modified retrospective approach to transition.





Notes to the Unaudited Interim Financial Report

22 Comparative figures *(Continued)*

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

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

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 43 which comprises the consolidated statement of financial position of China Dili Group (the “Company”) as of 30 June 2020 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 2020 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

27 August 2020