



中国地利集团 China Dili Group

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1387)

INTERIM REPORT 2022



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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
Liu Lizhen

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
Yin Jianhong

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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Cayman Islands

Principal Place of Business in Hong Kong

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Beijing, China

Room 1705, China Resources Building
Yuehai Sub-district Office
Nanshan District
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Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
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Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 1387

Investor Relations

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Chairman's Statement

In the first half of 2022, in the face of the complex and volatile international environment and the frequent occurrence of the COVID-19 pandemic in China, China Dili Group overcame unprecedented difficulties and challenges and forged ahead, achieving a revenue of RMB1.04 billion, smooth operation of its agriculture wholesale markets as well as promising progress in building new business capabilities in the supply chain.

In the first half of the year, the Group's agriculture wholesale markets improved their internal strength and solidified their foundation, continuously improved the operational and management level of "refinement, normalisation, informationisation and standardisation" as well as accelerated the consolidation of supporting services such as procurement, storage, processing, distribution and sales. By speeding up the construction of smart agriculture wholesale systems such as commodity and customer classification and grading and online management of stalls, we implemented key digital projects such as mobile code scanning and payment entry as well as market entry system to collect commodity information and county origin information, thereby continuously building new core competitiveness of agriculture wholesale markets. The Group also continued to promote the expansion and strategic layout of its agriculture wholesale markets through the integration of brand, management, talent, technology and other capabilities. In addition, the Group signed a strategic cooperation agreement with Fuzhou Zonshine Group (福州正祥集團) in which Fujian Zonshine Group invested in the construction of the Fuzhou Zonshine Strait Agricultural Produce Logistics Park (福州正祥海峽農產品物流園) while China Dili Group was responsible for the operation and management, jointly creating a benchmark project for construction and operation management of the agricultural produce logistics park, which laid a solid foundation for expanding the network layout of the Group's agricultural produce logistics park by asset-light export.

In the first half of the year, the Group's innovative business focused on strategic priorities and made sustained efforts to achieve significant revenue in new businesses. The Group's supply chain business urged to create business flows so as to drive the consolidation of supply chain services such as trading services, information services, financial services and logistics services, and accelerated the construction of a one-stop and integrated agricultural products supply chain comprehensive service system, coupled with the active promotion of the construction of a supply chain business middleware platforms and digitalisation. Through model innovation and the use of digital means to optimise the transaction model, the platform Yinongpi (億農批), a digital agricultural products trading platform jointly built by China Dili Group and JD.com, Inc., provides various online solutions such as online trading, online payment, food traceability, warehousing and logistics, and financial services for operators in the distribution of agricultural products. Combined with the offline transactions, we constructed a new Internet state of "trading + delivery + finance" that combines online transactions with offline delivery in the agricultural products distribution industry.

The Group actively fulfilled its corporate social responsibility during the battle against the pandemic, taking the initiative to take up important tasks of anti-pandemic and ensuring sufficient supply and stable prices of the "non-staple food" and "vegetables and fruits" for the citizens of the cities where the Group's agriculture wholesale markets are located. The Group played a leading role in "cost reduction, expansion of sources of goods and storage addition" to stabilise prices and supply, taking multiple measures to benefit the people's livelihood. Meanwhile, we also implemented assistance policies such as reduction of entry transaction fees and parking fees for vehicles to businesses that were greatly affected by the pandemic, to help business owners tide over their operating difficulties.

Chairman's Statement

The development of China Dili Group has been made possible by the trust and support of our shareholders, partners and the community. We maintain our initiative at all times and continue to uphold the mission of “empowering China’s food distribution for a quality life”. The core competitiveness of the Group will continuously improve through deepening of the Group’s transformation and upgrading strategy. Insisting on empowering the agricultural product distribution industry chain with technology and services, we take every action to improve the efficiency and effectiveness of agricultural product distribution to create value for society, shareholders and industry partners as always!

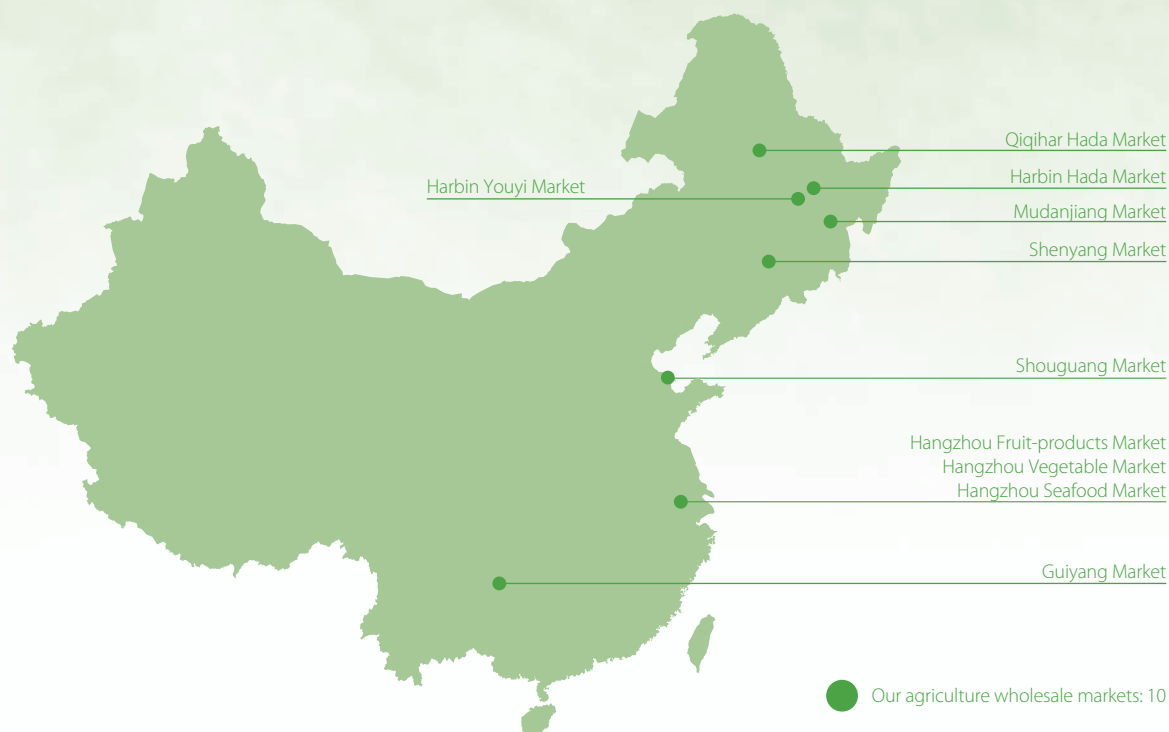
Wang Yan
Chairman

25 August 2022

Management Discussion and Analysis

OUR BUSINESS

The principal business of the Group was the operation of 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 2022 |
|--------------------------|---------------------------------------|--|
| 3 | Approximately 245,017 sq.m. (note) | RMB182.2 million |

Note: Including property leased from independent third party.

[#] "GFA" represents Gross Floor Area

[^] Derived from the commission income and lease income

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 2022 |
|--|--------------------------------|--|
| 1 (divided into several markets for different commodities) | Approximately 292,848 sq.m. | RMB112.2 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 the 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 2022 |
|--------------------------|--------------------------------|--|
| 1 | Approximately 210,646 sq.m. | RMB88.7 million |

* For identification purpose only

“GFA” represents Gross Floor Area

^ Derived from the commission income and lease income

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) Mudanjiang International Agricultural Produce Logistic Park* (牡丹江國際農產品物流園) (“Mudanjiang 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.

Mudanjiang 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 2022 |
|---------------------------------|--------------------------------|--|
| 4 | Approximately 439,949 sq.m. | RMB145.6 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 1,082,502 sq.m.. The park 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 2022 |
|---------------------------------|---------------------------------------|--|
| 1 | Approximately 594,787 sq.m. (note) | RMB63.1 million |

Note: Including property leased from the associated entity controlled by the Company’s controlling shareholder.

* For identification purpose only

“GFA” represents Gross Floor Area

[^] Derived from the commission income and lease income

Management Discussion and Analysis

BUSINESS REVIEW

Investment in Dili Fresh

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”) operate through their 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 was RMB950 million. As at 30 June 2022, the fair value of the investment in Dili Fresh and the derivative financial instruments embedded in investment in Dili Fresh was RMB1,073.9 million. The net unrealised gain on the investment was RMB5.6 million during the six months ended 30 June 2022. The investment represents more than 5% of the total assets in the Group’s consolidated statement of financial position. 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.

Core Business Steadily Improving

The Group has vigorously promoted the upgrading of the operation and management of the agriculture wholesale markets, with the process accelerated by various digital initiatives such as online management of market stalls, logistics matchmaking service platform and new electronic settlement. To expand the geographical coverage of our wholesale market core business, the Group has started to provide wholesale market management services to third parties in places such as Fuzhou.

Scaling Up Supply Chain Capabilities

On the procurement side, direct sourcing from the place of origin have made substantial progress; on the distribution side, “service empowerment” projects, such as sorting, processing, logistics, distribution and warehousing, have been implemented; on the sales side, “channels expansion” efforts, such as sub-distribution and online and offline sales have been accelerated and continuously broadening.

Being Active in Creating Social Value

We fulfilled the social responsibility of being a livelihood enterprise by taking the initiative to assume the important task of pandemic prevention, disaster relief and supply security, and fully guarantee the adequate supply and price stability of non-staple food and fruits. The Group has demonstrated its commitment to social responsibility in pandemic prevention and supply security, disaster relief assistance, rural revitalisation and industrial transformation and upgrading. In recent years, we have won wide recognition and respect from all walks of life and was honored various charitable awards. The Group’s various agriculture wholesale markets also received numerous commendations and honors, including advanced collectives and outstanding individuals.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue is derived from the commission income, lease income and sales of agricultural products. 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. Revenue from sales of agricultural products is primarily derived from the supply chain business of selling various agricultural produce and food products, mainly fresh fruits.

For the six months ended 30 June 2022, the Group recorded a consolidated revenue of approximately RMB1,038.7 million (six months ended 30 June 2021: RMB727.4 million), representing an increase of 42.8% when compared with that of last corresponding period. The increase was mainly contributed to the sales of agricultural products amounted to approximately RMB446.9 million as compared to RMB27.8 million in last corresponding period. The commission income decreased by 22.3% to RMB376.7 million in this period as compared to RMB485.0 million in last corresponding period while the lease income increased by 0.2% to RMB215.1 million in this period as compared to RMB214.6 million in last corresponding period.

The resurgence of coronavirus ("COVID-19") pandemic led to the implementation of stricter pandemic control and lockdown measures in various major cities of the PRC in the first six months of 2022, disruptions to the supply chain and business activities of many PRC enterprises including the Group and its business partners had impacted on operations and transaction volume of the agriculture wholesale markets, subsidies to traders and commission and lease income concessions. As a result, the transaction volumes decreased and commission income dropped accordingly. In addition, the Group actively adjusted the business measures in light of market changes, broadened business models to effectively respond to the pandemic and achieve sustainable development by starting the business of sales of agricultural products in 2021.

| | Six months ended 30 June | | | |
|--------------------------------|--------------------------|----------------------|------------------------|-------------|
| | 2022 RMB' million | 2021 RMB' million | Change RMB' million | Change % |
| Commission income | 376.7 | 485.0 | (108.3) | (22.3) |
| Lease income | 215.1 | 214.6 | 0.5 | 0.2 |
| Sales of agricultural products | 446.9 | 27.8 | 419.1 | 1,507.6 |
| Total | 1,038.7 | 727.4 | 311.3 | 42.8 |

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Revenue (Continued)

The revenue from commission income and lease income analysis by agriculture wholesale markets are as follows:

| | Note | Six months ended 30 June | | Change RMB' million | Change % |
|--------------------------------|-------|--------------------------|----------------------|------------------------|-------------|
| | | 2022 RMB' million | 2021 RMB' million | | |
| Hangzhou Fruit-products Market | | 79.2 | 79.6 | (0.4) | (0.5) |
| Hangzhou Vegetable Market | | 65.7 | 71.1 | (5.4) | (7.6) |
| Hangzhou Seafood Market | | 37.3 | 38.4 | (1.1) | (2.9) |
| Shenyang Market | (i) | 112.2 | 181.1 | (68.9) | (38.0) |
| Guiyang Market | (ii) | 88.7 | 74.4 | 14.3 | 19.2 |
| Harbin Hada Market | (iii) | 89.7 | 114.2 | (24.5) | (21.5) |
| Qiqihar Hada Market | | 26.1 | 26.5 | (0.4) | (1.5) |
| Mudanjiang Market | | 19.8 | 20.5 | (0.7) | (3.4) |
| Harbin Youyi Market | | 10.0 | 9.8 | 0.2 | 2.0 |
| Shouguang Market | (i) | 63.1 | 84.0 | (20.9) | (24.9) |
| Total | | 591.8 | 699.6 | (107.8) | (15.4) |

Notes:

- (i) The drop in revenue was mainly due to the concessions provided to traders after the implementation of stricter pandemic control and lockdown measures amid the resurgence of COVID-19 pandemic.
- (ii) The rise in revenue was mainly due to the increase in the transaction volume, leased areas and the occupancy rate in Guiyang Market.
- (iii) The drop in revenue was mainly due to the decrease in the transaction volume resulting from the resurgence of COVID-19 pandemic.

Gross Profit and Gross Profit Margin

The gross profit from the sales of agricultural products was RMB18.6 million for the six months ended 30 June 2022 as compared to RMB6.2 million for the six months ended 30 June 2021.

The gross profit margin from the sales of agricultural products decreased from 22.3% for the six months ended 30 June 2021 to 4.2% for the six months ended 30 June 2022. The significant decline was mainly due to change in product mix. In the first six months of 2021, the product sales comprised mainly vegetables and fresh fruits. In the first six months of 2022, apart from selling vegetables and fresh fruits, the product sales included potatoes, starch, eggs, meat and others which have comparatively lower margin.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Gross Profit and Gross Profit Margin (Continued)

The following table provides a summary of the revenue, cost of goods sold and gross profit for the six months ended 30 June 2022 and 2021.

| | Six months ended 30 June | | Change RMB' million | Change % |
|---------------------|--------------------------|----------------------|------------------------|-------------|
| | 2022 RMB' million | 2021 RMB' million | | |
| Revenue | 446.9 | 27.8 | 419.1 | 1,507.6 |
| Cost of goods sold | 428.3 | 21.6 | 406.7 | 1,882.9 |
| Gross profit | 18.6 | 6.2 | 12.4 | 200.0 |
| Gross profit margin | 4.2% | 22.3% | (18.1%) | |

Other Income

Other income mainly comprised market service fee income of RMB55.9 million (six months ended 30 June 2021: RMB74.9 million). The decrease in market service fee income was in line with the decrease in revenue from the commission income.

Operating Expenses

Operating expenses mainly comprised operating staff cost, depreciation and utility charges. The increase was mainly due to the subsidies provided to traders in affected agriculture wholesale markets whose operations have been disrupted by COVID-19 during the first six months of 2022.

Administrative Expenses

Administrative expenses mainly comprised staff cost and depreciation.

Finance Income

Finance income mainly represented the interest income earned from loans to related parties and bank deposits. The increase was mainly due to the rise in the loans to related parties during the period.

Finance Costs

Finance costs mainly represented interest on interest-bearing borrowings and lease liabilities. For the six months ended 30 June 2022, the finance costs decreased by 22.2% to RMB61.2 million. The decrease was mainly due to the reduction of net foreign exchange loss.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Net Valuation Losses on Investment Properties and Impairment Loss on Property and Equipment

Due to the implementation of stricter pandemic control and lockdown measures amid the resurgence of coronavirus pandemic in various major cities of the PRC in the first six months of 2022, disruptions to the supply chain and business activities of the Group had impacted on operations and transaction volume of the agriculture wholesale markets. Hence, the concessions and subsidies were provided to traders in affected agriculture wholesale markets whose operations have been disrupted during the first six months of 2022, management also considered that indicators of potential impairment of property and equipment and assessed the recoverable amounts of the related investment properties and property and equipment as at 30 June 2022. As a result, a net valuation loss on investment properties and an impairment loss on property and equipment of RMB547.6 million and RMB1,104.9 million were recognised during the six months ended 30 June 2022 respectively.

Liquidity and Financial Resources

As at 30 June 2022, the net current assets of the Group amounted to approximately RMB1,375.2 million (as at 31 December 2021: RMB1,541.8 million). The current ratio, expressed as current assets over current liabilities, was approximately 1.98 (as at 31 December 2021: 1.96).

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 interest-bearing borrowings as at 30 June 2022 are repayable as follows:

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|---------------------------------------|-------------------------------------|--------------------------------|
| Within one year | 459,800 | 358,654 |
| After one year but within two years | 1,003,500 | 1,044,500 |
| After two years but within five years | 109,600 | 154,000 |
| After five years | 216,000 | 233,000 |
| | 1,788,900 | 1,790,154 |

There was no material effect of seasonality on the Group's borrowing requirement. As at 30 June 2022, all the interest-bearing borrowings are denominated in Renminbi.

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 authorised 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.

Management Discussion and Analysis

FINANCIAL REVIEW (Continued)

Foreign Currency Risk (Continued)

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

Capital Structure and Treasury Policy

The Group adopts 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 from the Rights Issue

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 utilised and the residual balance from the rights issue are expected to be utilised on or before 31 December 2022. The amount used during the period ended 30 June 2022 and the residual balance to be used as at 30 June 2022 are as follows:

| Proposed use of proceeds from the Rights Issue | Residual balance as at 1 January 2022 <i>HKD' million</i> | Used during the period <i>HKD' million</i> | Residual balance to be used as at 30 June 2022 <i>HKD' million</i> |
|---|---|--|---|
| (i) For upgrading infrastructure facilities of the markets | 24 | (13) | 11 |
| (ii) For developing and installing information software and data collection and analysis systems in the markets | 50 | (2) | 48 |
| | 74 | (15) | 59 |

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Use of Proceeds from the Subscription

As stated in the announcement of the Company dated 25 December 2020, the Group plans to use the proceeds obtained from the subscription for possible investment(s) in the future when opportunities arise and as general working capital of the Group. The net proceeds from the subscription was approximately HKD796.7 million, the residual balance of approximately HKD177.3 million as at 1 January 2022 had been fully utilised for general working capital of the Group during the six months ended 30 June 2022.

Charges on Assets

As at 30 June 2022, certain property and equipment and investment properties which had an aggregate carrying value of RMB1,408.6 million (as at 31 December 2021: RMB1,406.5 million) were pledged as securities for bank loans.

Capital Commitment

As at 30 June 2022, the future capital expenditure for which the Group had contracted but not provided for amounted to approximately RMB254.8 million (as at 31 December 2021: RMB268.2 million) while the future capital expenditure for which the Group had authorized but not contracted for was nil (as at 31 December 2021: RMB0.5 million).

Contingent Liabilities

As at 30 June 2022, the Group provided financial guarantees to banks in respect of banking facilities granted to related parties amounted to RMB220.0 million (as at 31 December 2021: RMB200.0 million), of which RMB140.0 million (as at 31 December 2021: RMB130.0 million) has been utilised by the related parties.

Gearing Ratio

The gearing ratio as at 30 June 2022, which was calculated by dividing the total interest-bearing borrowings and lease liabilities by total assets, was 12.42% (as at 31 December 2021: 11.26%).

Human Resources

As at 30 June 2022, the Group employed 2,625 staff (as at 30 June 2021: 2,587 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 2022 was approximately RMB185.7 million as compared with approximately RMB181.8 million for the six months ended 30 June 2021. 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 2022 (six months ended 30 June 2021: Nil).

Other Information

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

As at 30 June 2022, 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 | Number of issued shares/ underlying shares <i>(Note 1)</i> | Approximate percentage of interest in the Company |
|------------------|--|--|---|
| Mr. Dai Bin | Beneficiary of a discretionary trust <i>(Note 2)</i> | 5,526,147,441 (L) | 62.12% |
| | Beneficiary of a discretionary trust <i>(Note 2)</i> | 6,655,629 (S) | 0.07% |
| Ms. Qin Xiang | Interest of spouse | 800,000 (L) | 0.01% |
| Mr. Yin Jianhong | Beneficial owner | 4,835,000 (L) | 0.05% |

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) Mr. Dai Bin is a beneficiary of the Dai Family Trust, a discretionary trust which was established by his parents, Mr. Dai Yongge and Ms. Zhang Xingmei. Details of which were set out in note (4) to the section headed "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares".

Save as disclosed above, none of the directors or chief executives of the Company had, as at 30 June 2022, 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 2022, 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 substantial shareholder | Capacity | Number of issued shares/ Nature of interest (Note 1) | Approximate percentage of interest in the Company (Note 2) |
|-------------------------------------|---|--|---|
| Mr. Dai Yongge | Beneficial Owner | 20,007,000 (L) | 0.22% |
| | Interest in controlled corporations (Note 3) | 99,211,066 (L) | 1.12% |
| | Founder of a discretionary trust (Note 4) | 5,526,147,441 (L) | 62.12% |
| | Founder of a discretionary trust (Note 4) | 6,655,629 (S) | 0.07% |
| Ms. Zhang Xingmei | Interest of spouse (Note 5) | 119,218,066 (L) | 1.34% |
| | Founder of a discretionary trust (Note 4) | 5,526,147,441 (L) | 62.12% |
| | Founder of a discretionary trust (Note 4) | 6,655,629 (S) | 0.07% |
| Zedra Asia Limited | Trustee (Note 4) | 5,526,147,441 (L) | 62.12% |
| | Trustee (Note 4) | 6,655,629 (S) | 0.07% |
| Truly Gain Limited | Interest in controlled corporations (Note 4) | 5,526,147,441 (L) | 62.12% |
| | Interest in a controlled corporation (Note 4) | 6,655,629 (S) | 0.07% |
| Super Brilliant Investments Limited | Beneficial owner | 2,011,810,466 (L) | 22.61% |
| | Beneficial owner | 6,655,629 (S) | 0.07% |
| New Amuse Limited | Beneficial owner | 3,514,336,975 (L) | 39.50% |
| Mr. Liu Qiangdong Richard | Beneficiary of a Trust (Note 6) | 478,067,066 (L) | 5.37% |
| UBS Trustees (B.V.I.) Limited | Trustee (Note 6) | 478,067,066 (L) | 5.37% |
| Max Smart Limited | Interest in a controlled corporation (Note 6) | 478,067,066 (L) | 5.37% |
| JD.com, Inc. | Interest in a controlled corporation (Note 6) | 478,067,066 (L) | 5.37% |
| JD.com Investment Limited | Interest in a controlled corporation (Note 6) | 478,067,066 (L) | 5.37% |
| Nelson Innovation Limited | Beneficial owner | 478,067,066 (L) | 5.37% |
| China Strategic Holdings Limited | Interest in a controlled corporation (Note 7) | 590,000,000 (L) | 6.63% |
| U Credit (HK) Limited | Person having a security interest in shares (Note 7) | 590,000,000 (L) | 6.63% |
| Huatai Securities Co., Ltd. | Interest in a controlled corporation (the interest is substantially in the form of security interest) (Note 8) | 600,003,000 (L) | 6.74% |

Other Information

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) Certain percentage figures have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic sum of such figures.
- (3) Among 99,211,066 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; 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.
- (4) Mr. Dai Yongge and Ms. Zhang Xingmei established a discretionary family trust (the "Dai Family Trust"). Zedra Asia Limited ("Zedra Asia") acts as the trustee of the Dai Family Trust and holds an aggregate of 5,526,147,441 shares of the Company through Truly Gain Limited ("Truly Gain"), a wholly-owned subsidiary of Zedra Asia. Super Brilliant Investments Limited ("Super Brilliant") and New Amuse Limited ("New Amuse") are direct wholly-owned subsidiaries of Truly Gain. Accordingly, each of Mr. Dai Yongge, Ms. Zhang Xingmei, Zedra Asia and Truly Gain is deemed to be interested in the shares held by Super Brilliant and New Amuse.
- (5) Ms. Zhang Xingmei is deemed to have interests in the shares held by her spouse, Mr. Dai Yongge.
- (6) Mr. Liu Qiangdong Richard ("Mr. Liu") is a beneficiary of a trust (the "Private Trust") which is other than a discretionary trust. UBS Trustees (B.V.I.) Limited ("UBS Trustees") acts as the trustee of the Private Trust and Max Smart Limited ("Max Smart") is wholly-owned by it through UBS Nominees Limited ("UBS Nominees"), a wholly-owned subsidiary of UBS Trustees. Max Smart holds approximately 73% in JD.com, Inc. ("JD.com"). Fortune Rising Holdings Limited is a company wholly-owned by Mr. Liu and holds approximately 3.9% in JD.com. JD.com holds the entire issued share capital of JD.com Investment Limited ("JD Investment"). JD Investment holds the entire issued share capital of Nelson Innovation Limited ("Nelson Innovation"). Accordingly, each of Mr. Liu, UBS Trustees, UBS Nominees, Max Smart, JD.com and JD Investment is deemed to be interested in the shares held by Nelson Innovation.
- (7) U Credit (HK) Limited ("U Credit") and China Strategic Holdings Limited ("China Strategic Holdings") fall into the substantial shareholders under the SFO by virtue of the security interest disclosed in the table above. Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed on 8 February 2021, China Strategic Holdings holds the entire issued share capital of China Strategic Asset Holdings Limited ("China Strategic Asset"). China Strategic Asset holds the entire issued share capital of China Strategic Financial Holdings Limited ("China Strategic Financial"). China Strategic Financial holds the entire issued share capital of U Credit. Accordingly, China Strategic Holdings is deemed to be interested in the security interest held by U Credit.
- (8) Huatai Securities Co., Ltd. ("Huatai Securities") falls into the substantial shareholder under the SFO upon the acquisition of a security interest of 600,000,000 shares of the Company by its wholly-owned subsidiary, Huatai Financial Holdings (Hong Kong) Limited ("Huatai Financial"). Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed on 20 September 2021, Huatai Securities holds the entire issued capital of Huatai International Financial Holdings Company Limited ("Huatai International"). Huatai International holds the entire issued capital of Huatai Financial. Accordingly, each of Huatai Securities and Huatai International is deemed to be interested in security interest held by Huatai Financial.

Other Information

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

Save as disclosed above and so far as the directors of the Company are aware of, as at 30 June 2022, 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) recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group. An independent third party has been appointed as a trustee (the "Trustee") under the Share Award Scheme.

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

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 2022, 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 2022, the Company has not issued any shares or granted any awarded shares under the Share Award Scheme to any selected employees.

Other Information

Change in Director's Information pursuant to Rule 13.51B(1) of the Listing Rules

Mr. Leung Chung Ki, an independent non-executive director of the Company, resigned as an independent non-executive director of Blue River Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 498) with effect from 1 August 2022.

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 2022.

Audit Committee

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"). The primary duty of the audit committee is to review and supervise the financial reporting process, risk management and internal control systems of the Group. The audit committee 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 2022.

Corporate Governance Practices

The Company has complied with the code provisions in the CG Code throughout the six months ended 30 June 2022.

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 2022.

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022 — unaudited

| | Note | Six months ended 30 June | |
|---|------|--------------------------|-----------------|
| | | 2022 RMB'000 | 2021 RMB'000 |
| Revenue | 3 | 1,038,737 | 727,418 |
| Other income | 4 | 61,462 | 79,376 |
| Cost of goods sold | | (428,291) | (21,625) |
| Distribution costs | | (32,892) | – |
| Operating expenses | | (182,415) | (167,363) |
| Administrative expenses | | (329,301) | (317,912) |
| Impairment losses on trade and other receivables | | (68,808) | (32,544) |
| Profit from operations | | 58,492 | 267,350 |
| Net unrealised gains on financial assets measured at fair value through profit or loss | | 5,553 | 48,672 |
| Net valuation losses on investment properties | | (547,631) | (38,429) |
| Impairment loss on property and equipment | 8(c) | (1,104,941) | – |
| Share of loss of an associate | | (5,464) | – |
| Net finance costs | 5(b) | (22,906) | (51,839) |
| (Loss)/profit before taxation | 5 | (1,616,897) | 225,754 |
| Income tax | 6 | 331,815 | (61,141) |
| (Loss)/profit for the period | | (1,285,082) | 164,613 |
| Attributable to: | | | |
| Equity shareholders of the Company | | (1,288,235) | 158,548 |
| Non-controlling interests | | 3,153 | 6,065 |
| (Loss)/profit for the period | | (1,285,082) | 164,613 |
| Basic and diluted (loss)/earnings per share (RMB cents) | 7 | (14.48) | 1.83 |

The notes on pages 28 to 47 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022 — unaudited

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| (Loss)/profit for the period | (1,285,082) | 164,613 |
| 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 the Company and certain overseas subsidiaries | 10,320 | 24,615 |
| Total comprehensive income for the period | (1,274,762) | 189,228 |
| Attributable to: | | |
| Equity shareholders of the Company | (1,277,915) | 183,163 |
| Non-controlling interests | 3,153 | 6,065 |
| Total comprehensive income for the period | (1,274,762) | 189,228 |

The notes on pages 28 to 47 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2022 — unaudited

| | Note | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|--|------|-------------------------------|-----------------------------------|
| Non-current assets | | | |
| Property and equipment | 8 | 6,098,042 | 7,264,223 |
| Investment properties | 9 | 6,158,400 | 6,694,700 |
| Intangible assets | | 14,528 | 14,090 |
| Goodwill | | 1,743,701 | 1,743,701 |
| Interest in an associate | 10 | 37,294 | 42,757 |
| Other assets | 11 | 1,114,115 | 1,074,692 |
| Trade and other receivables | 12 | 91,251 | 72,567 |
| Deferred tax assets | 16 | 17,112 | 15,860 |
| Total non-current assets | | 15,274,443 | 16,922,590 |
| Current assets | | | |
| Inventories | | 91,773 | 170,085 |
| Trade and other receivables | 12 | 1,616,079 | 1,701,225 |
| Other assets | 11 | 852 | 5,886 |
| Cash and cash equivalents | 13 | 1,076,047 | 1,267,010 |
| Total current assets | | 2,784,751 | 3,144,206 |
| Current liabilities | | | |
| Interest-bearing borrowings | 14 | 459,800 | 358,654 |
| Trade and other payables | 15 | 773,035 | 1,047,330 |
| Contract liabilities | | 21,713 | 32,041 |
| Lease liabilities | | 61,074 | 51,656 |
| Taxation | | 93,963 | 112,710 |
| Total current liabilities | | 1,409,585 | 1,602,391 |
| Net current assets | | 1,375,166 | 1,541,815 |
| Total assets less current liabilities | | 16,649,609 | 18,464,405 |

Consolidated Statement of Financial Position

At 30 June 2022 — unaudited

| | Note | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|--|-------|--|-----------------------------------|
| Non-current liabilities | | | |
| Interest-bearing borrowings | 14 | 1,329,100 | 1,431,500 |
| Lease liabilities | | 393,728 | 417,377 |
| Deferred tax liabilities | 16 | 2,119,417 | 2,536,838 |
| Deferred income | | 43,811 | 35,721 |
| Total non-current liabilities | | 3,886,056 | 4,421,436 |
| Net assets | | | |
| | | 12,763,553 | 14,042,969 |
| Capital and reserves | | | |
| Share capital | 17(a) | 759,624 | 759,624 |
| Reserves | | 11,702,641 | 12,980,556 |
| Total equity attributable to equity shareholders of the Company | | 12,462,265 | 13,740,180 |
| Non-controlling interests | | 301,288 | 302,789 |
| Total equity | | 12,763,553 | 14,042,969 |

The notes on pages 28 to 47 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 — unaudited

| | Attributable to equity shareholders of the Company | | | | | | | | | | | Total equity RMB'000 |
|--|--|--------------------------|---------------------------------------|----------------------------|-----------------------------------|---|------------------------------|----------------------------|-------------------------------|------------------|--------------------------------------|-------------------------|
| | Share capital RMB'000 Note 17(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 17(b) | Exchange reserves RMB'000 | Merger reserves RMB'000 | Accumulated losses RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | |
| Balance at 1 January 2021 | 719,779 | 19,377,239 | 7,508 | 121,112 | 938,840 | (285,741) | (69,808) | 128,704 | (8,124,821) | 12,812,812 | 291,938 | 13,104,750 |
| Changes in equity for the six months ended 30 June 2021 | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | - | 158,548 | 158,548 | 6,065 | 164,613 |
| Other comprehensive income | - | - | - | - | - | - | 24,615 | - | - | 24,615 | - | 24,615 |
| Total comprehensive income | - | - | - | - | - | - | 24,615 | - | 158,548 | 183,163 | 6,065 | 189,228 |
| Transfer to reserve fund | - | - | - | - | (440) | - | - | - | 440 | - | - | - |
| Issuance of shares | 39,845 | 625,558 | - | - | - | - | - | - | - | 665,403 | - | 665,403 |
| Capital contribution | - | - | - | - | - | - | - | - | - | - | 8,149 | 8,149 |
| Balance at 30 June 2021 and 1 July 2021 | 759,624 | 20,002,797 | 7,508 | 121,112 | 938,400 | (285,741) | (45,193) | 128,704 | (7,965,833) | 13,661,378 | 306,152 | 13,967,530 |
| Changes in equity for the six months ended 31 December 2021 | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | - | 86,494 | 86,494 | 547 | 87,041 |
| Other comprehensive income | - | - | - | - | - | - | (7,692) | - | - | (7,692) | - | (7,692) |
| Total comprehensive income | - | - | - | - | - | - | (7,692) | - | 86,494 | 78,802 | 547 | 79,349 |
| Transfer to reserve fund | - | - | - | - | 54,042 | - | - | - | (54,042) | - | - | - |
| Capital contribution | - | - | - | - | - | - | - | - | - | - | 2,090 | 2,090 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (6,000) | (6,000) |
| Balance at 31 December 2021 | 759,624 | 20,002,797 | 7,508 | 121,112 | 992,442 | (285,741) | (52,885) | 128,704 | (7,933,381) | 13,740,180 | 302,789 | 14,042,969 |

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 — unaudited

| | Attributable to equity shareholders of the Company | | | | | | | | | | | |
|--|--|---------------|----------------------------|-----------------|------------------------|------------------------------------|-------------------|-----------------|--------------------|-------------|---------------------------|--------------|
| | Share capital | Share premium | Capital redemption reserve | Capital surplus | Statutory reserve fund | Shares held for share award scheme | Exchange reserves | Merger reserves | Accumulated losses | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | Note 17(a) | | | | | Note 17(b) | | | | | | |
| Balance at 1 January 2022 | 759,624 | 20,002,797 | 7,508 | 121,112 | 992,442 | (285,741) | (52,885) | 128,704 | (7,933,381) | 13,740,180 | 302,789 | 14,042,969 |
| Changes in equity for the six months ended 30 June 2022 | | | | | | | | | | | | |
| Loss for the period | - | - | - | - | - | - | - | - | (1,288,235) | (1,288,235) | 3,153 | (1,285,082) |
| Other comprehensive income | - | - | - | - | - | - | 10,320 | - | - | 10,320 | - | 10,320 |
| Total comprehensive income | - | - | - | - | - | - | 10,320 | - | (1,288,235) | (1,277,915) | 3,153 | (1,274,762) |
| Transfer to reserve fund | - | - | - | - | 392 | - | - | - | (392) | - | - | - |
| Capital contribution | - | - | - | - | - | - | - | - | - | - | 9,346 | 9,346 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | (14,000) | (14,000) |
| Balance at 30 June 2022 | 759,624 | 20,002,797 | 7,508 | 121,112 | 992,834 | (285,741) | (42,565) | 128,704 | (9,222,008) | 12,462,265 | 301,288 | 12,763,553 |

The notes on pages 28 to 47 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2022 — unaudited

| | Note | Six months ended 30 June | |
|--|------|--------------------------|-----------------|
| | | 2022 RMB'000 | 2021 RMB'000 |
| Operating activities | | | |
| Cash generated from operations | | 55,632 | 135,352 |
| Income tax paid | | (105,615) | (106,793) |
| Net cash (used in)/generated from operating activities | | (49,983) | 28,559 |
| Investing activities | | | |
| Investments in an associate | | – | (49,000) |
| Payment for purchase of financial assets measured at fair value through profit or loss | | (6,000) | (74,615) |
| Proceeds from sale of financial assets measured at fair value through profit or loss | | 6,000 | – |
| Net proceeds from disposal of property and equipment | | 12 | 9,915 |
| Interest received | | 36,341 | 27,911 |
| Payment for purchase of property and equipment and investment properties | | (85,501) | (48,963) |
| Government grant received | | 12,986 | 2,615 |
| Payment for loans to related parties | | (70,000) | (190,000) |
| Proceeds from repayment of loans to related parties | | 50,000 | 31,318 |
| Payment for loans to a third party | | (34,208) | – |
| Proceeds from repayment of loans to a third party | | 34,208 | – |
| Net cash used in investing activities | | (56,162) | (290,819) |

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2022 — unaudited

| | Note | Six months ended 30 June | |
|---|----------|--------------------------|-----------------|
| | | 2022 RMB'000 | 2021 RMB'000 |
| Financing activities | | | |
| Proceeds from issuance of shares | 17(a)(i) | – | 665,403 |
| Capital element of lease rentals paid | | (22,064) | (22,749) |
| Interest element of lease rentals paid | | (11,231) | (12,009) |
| Repayment of interest-bearing borrowings | | (282,854) | (1,309,575) |
| Proceeds from interest-bearing borrowings | | 281,600 | 1,207,000 |
| Dividends paid to non-controlling interests | | (14,000) | – |
| Capital contribution received from non-controlling interests | | 9,346 | 8,149 |
| Interest paid | | (48,357) | (40,720) |
| Net cash (used in)/generated from financing activities | | (87,560) | 495,499 |
| Net (decrease)/increase in cash and cash equivalents | | (193,705) | 233,239 |
| Cash and cash equivalents at 1 January | | 1,247,010 | 914,653 |
| Effect of foreign exchange rate changes | | 2,742 | (503) |
| Cash and cash equivalents at 30 June | 13 | 1,056,047 | 1,147,389 |

The notes on pages 28 to 47 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, 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 25 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a 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 48.

2 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendment to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these amendments 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

The principal activities of the Group are lease and management of agriculture wholesale markets and sales of agricultural products.

(a) Disaggregation of revenue

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

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Revenue from contracts with customers within the scope of IFRS 15 | | |
| Commission income | 376,758 | 485,036 |
| Sales of agricultural products | 446,915 | 27,783 |
| Revenue from other sources | | |
| Lease income | 215,064 | 214,599 |
| | 1,038,737 | 727,418 |

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

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue during the period (2021: Nil).

(b) Segment reporting

The Group manages its businesses by lines of business. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments as follows:

- Operation of agriculture wholesale markets which represents lease and management of agriculture wholesale markets
- Sales of agricultural products which represents trading of agricultural products

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

Notes to the Unaudited Interim Financial Report

3 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

| | Six months ended 30 June 2022 | | |
|---|--|---|------------------|
| | Operation of agriculture wholesale markets RMB'000 | Sales of agricultural products RMB'000 | Total RMB'000 |
| Disaggregated by timing of revenue recognition | | | |
| Point in time | 376,758 | 446,915 | 823,673 |
| Over time | 215,064 | – | 215,064 |
| Revenue from external customers | 591,822 | 446,915 | 1,038,737 |
| Inter-segment revenue | – | 579 | 579 |
| Reportable segment revenue | 591,822 | 447,494 | 1,039,316 |
| Reportable segment profit/(loss) (adjusted EBITDA) | 326,819 | (83,577) | 243,242 |
| | Six months ended 30 June 2021 | | |
| | Operation of agriculture wholesale markets RMB'000 | Sales of agricultural products RMB'000 | Total RMB'000 |
| Disaggregated by timing of revenue recognition | | | |
| Point in time | 485,036 | 27,783 | 512,819 |
| Over time | 214,599 | – | 214,599 |
| Revenue from external customers | 699,635 | 27,783 | 727,418 |
| Inter-segment revenue | – | – | – |
| Reportable segment revenue | 699,635 | 27,783 | 727,418 |
| Reportable segment profit/(loss) (adjusted EBITDA) | 462,438 | (25,129) | 437,309 |

Notes to the Unaudited Interim Financial Report

3 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

The measure used for reporting segment profit is “adjusted EBITDA” i.e. “adjusted earnings before interest, taxes, depreciation and amortisation”, where “interest” is regarded as including interest income, and other financial charges and income, and “depreciation and amortisation” is regarded as including impairment losses on tangible and intangible assets and valuation gain or loss on investment property. To arrive at adjusted EBITDA, the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as head office or corporate administration costs.

Assets and liabilities are not monitored by the Group’s senior executive management based on segments. Accordingly, no information on segment assets and liabilities is presented.

(c) Reconciliation of reportable segment profit

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Reportable segment profit | 243,242 | 437,309 |
| Elimination of inter-segment profits | (19) | – |
| Reportable segment profit derived from the Group’s external customers | 243,223 | 437,309 |
| Share of loss of an associate | (5,464) | – |
| Other income | 61,462 | 79,376 |
| Depreciation and amortisation | (142,302) | (137,983) |
| Net finance costs | (22,906) | (51,839) |
| Net valuation losses on investment properties | (547,631) | (38,429) |
| Impairment loss on property and equipment | (1,104,941) | – |
| Net unrealised gains on financial assets measured at fair value through profit or loss (“FVPL”) | 5,553 | 48,672 |
| Unallocated head office and corporate administration expenses | (103,891) | (111,352) |
| (Loss)/profit before taxation | (1,616,897) | 225,754 |

4 Other income

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Market service fee income | 55,851 | 74,882 |
| Net loss on disposal of property and equipment | (40) | (1,037) |
| Government grants | 4,896 | 4,236 |
| Income on providing financial guarantee | 755 | 1,295 |
| | 61,462 | 79,376 |

Notes to the Unaudited Interim Financial Report

5 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Personnel expenses

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Wages, salaries and other benefits | 185,688 | 181,848 |
| Contributions to defined contribution retirement plans | 16,133 | 14,513 |
| | 201,821 | 196,361 |

(b) Net finance costs

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Finance income | | |
| — Interest income on bank deposits | 7,107 | 6,210 |
| — Interest income on loans to related parties | 28,405 | 19,353 |
| — Interest income on loans to third parties | 1,067 | 1,160 |
| — Net foreign exchange gain | 1,669 | — |
| | 38,248 | 26,723 |
| Finance costs | | |
| — Interest on interest-bearing borrowings | (48,357) | (40,720) |
| — Interest on lease liabilities | (11,231) | (12,009) |
| — Bank charges and others | (1,566) | (847) |
| — Net foreign exchange loss | — | (24,986) |
| | (61,154) | (78,562) |
| | (22,906) | (51,839) |

(c) Other items

| | Six months ended 30 June | |
|--------------------------------|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Depreciation | | |
| — owned property and equipment | 106,553 | 103,874 |
| — right-of-use assets | 35,749 | 34,109 |
| Repairs and maintenance | 13,225 | 14,177 |
| Utility charges | 27,342 | 25,958 |

Notes to the Unaudited Interim Financial Report

6 Income tax

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

| | Note | Six months ended 30 June | |
|---|------|--------------------------|-----------------|
| | | 2022 RMB'000 | 2021 RMB'000 |
| Current tax | | | |
| Provision for the period | | 78,970 | 69,181 |
| Under-provision in respect of prior years | | 7,898 | 2,961 |
| | | 86,868 | 72,142 |
| Deferred tax | | | |
| Reversal and origination of temporary differences | 16 | (418,683) | (11,001) |
| | | (331,815) | 61,141 |

- (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 (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB1,288,235,000 (six months ended 30 June 2021: profit of RMB158,548,000) and the weighted average of 8,896,290,000 ordinary shares (six months ended 30 June 2021: 8,682,691,000 ordinary shares) in issue during the six months ended 30 June 2022.

During the six months ended 30 June 2022 and 2021, diluted (loss)/earnings per share is calculated on the same basis as basic (loss)/earnings per share.

Notes to the Unaudited Interim Financial Report

8 Property and equipment

(a) Right-of-use assets

During the six months ended 30 June 2022, the Group entered into a lease agreement for use of warehouses, and therefore recognised the additions to right-of-use assets of RMB13,661,000.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2022, the Group acquired other property and equipment with a cost of RMB64,865,000 (six months ended 30 June 2021: RMB21,879,000). Other property and equipment with a net book value of RMB52,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB1,790,000), resulting in a loss on disposal of RMB40,000 (six months ended 30 June 2021: loss of RMB1,037,000).

(c) Impairment loss

In view of the decrease in income of the market located at Shenyang since April 2022, management considered that indicators of potential impairment of property and equipment and assessed the recoverable amounts of the related property and equipment as at 30 June 2022, and as a result the carrying amount of the assets were written down to their recoverable amount of RMB3,458,900,000. An impairment loss of RMB1,104,941,000 was recognised. The recoverable amounts of the asset group were estimated based on the present value of the future cash flows expected to be derived from the asset group, using a pre-tax discount rate of 11.9%.

9 Investment properties

Valuation

The valuations of investment properties carried at fair value were updated at 30 June 2022 by the Group's independent valuer using the same valuation techniques as were used by this valuer when carrying out the December 2021 valuations.

As a result of the update, a net loss of RMB547,631,000 (six months ended 30 June 2021: a net loss of RMB38,429,000), and deferred tax thereon of RMB127,877,000 (six months ended 30 June 2021: RMB443,000), has been recognised/reversed in profit or loss for the period in respect of investment properties.

10 Interest in an associate

As at 30 June 2022, the Group's interest in an associate represents its 49% equity interest in Shenzhen City Jingdida Supply Chain Management Co., Ltd., which was established in January 2021 with its principal activities of supply chain management services, warehousing, sales of agricultural and side products and information technology consulting services. This associate is accounted for using the equity method in the consolidated financial statements.

Notes to the Unaudited Interim Financial Report

11 Other assets

| | Note | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|--|------|--|-----------------------------------|
| Financial assets measured at FVPL | | | |
| — Investment in Dili Fresh | (i) | 106,789 | 252,738 |
| — Derivative financial instruments embedded in investment in Dili Fresh | (i) | 967,153 | 815,651 |
| Sub-total | | 1,073,942 | 1,068,389 |
| Lease incentive | | 852 | 2,560 |
| Others | | 40,173 | 9,629 |
| | | 1,114,967 | 1,080,578 |
| Representing: | | | |
| — Non-current | | 1,114,115 | 1,074,692 |
| — Current | | 852 | 5,886 |
| | | 1,114,967 | 1,080,578 |

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

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 of Million Master Investment Limited ("Million Master") (the "Target Shares"), 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.

Notes to the Unaudited Interim Financial Report

12 Trade and other receivables

| | Note | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|--|-------|-------------------------------|-----------------------------------|
| Trade receivables | (i) | 60,747 | 63,524 |
| Amounts due from related parties | 20(b) | 1,065,117 | 1,044,813 |
| Receivable for disposal of property and equipment | (ii) | 43,728 | 43,728 |
| Amounts due from a third party | (iii) | 22,342 | 22,801 |
| Deposits | (iv) | 200,000 | 200,000 |
| Other debtors | (v) | 194,244 | 245,066 |
| Financial assets measured at amortised cost | | 1,586,178 | 1,619,932 |
| Less: impairment losses on trade and other receivables | | 130,474 | 61,666 |
| | | 1,455,704 | 1,558,266 |
| Prepayments | | 251,626 | 215,526 |
| Total | | 1,707,330 | 1,773,792 |
| Representing: | | | |
| — Non-current | | 91,251 | 72,567 |
| — Current | | 1,616,079 | 1,701,225 |
| | | 1,707,330 | 1,773,792 |

Notes to the Unaudited Interim Financial Report

12 Trade and other receivables (Continued)

Notes:

(i) Aging analysis

As of the end of the reporting period, the aging analysis of trade receivables (which are included in trade and other receivables), based on the invoice date, is as follows:

| | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|-----------------------------------|--|-----------------------------------|
| Within 1 month | 28,066 | 36,357 |
| 1 to 2 months | 11,469 | 25,107 |
| 2 to 3 months | 11,898 | – |
| Over 3 months but within 6 months | 9,314 | 2,060 |
| | 60,747 | 63,524 |

(ii) Receivable for disposal of property and equipment

Receivable for disposal of property and equipment is due from a third party, which is secured by the relevant equipment with original maturity date of 30 June 2019. According to the supplemental agreements, the maturity date of the receivable is extended to 31 July 2021 and subject to a fixed interest rate of 1% per annum. At 30 June 2022, the amount of RMB43,728,000 had been fully recognised for impairment loss.

(iii) Amounts due from a third party

The amounts due from a third party are unsecured and non-interest-bearing loan due from a seafood product market operating company under a cooperation contract with the Group and supplemental agreements. As at 30 June 2022, RMB1,842,000, RMB6,800,000 and RMB13,700,000 of the receivables are repayable on demand, repayable before 31 December 2022 and repayable before 31 December 2024 respectively. As at 30 June 2022, an impairment loss of RMB7,992,000 was recognised for the amounts due from a third party.

(iv) Deposits

Deposits mainly represent deposits for acquisitions of agriculture related business in the PRC amounting to RMB150,000,000, which are unsecured and non-interest bearing.

(v) Other debtors

Other debtors mainly represent the advance to third parties in relation to the Group's trade business on agricultural products.

Notes to the Unaudited Interim Financial Report

13 Cash and cash equivalents

| | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|--|--|-----------------------------------|
| Cash on hand | 3,541 | 13,065 |
| Cash at bank | 1,072,506 | 1,253,945 |
| | 1,076,047 | 1,267,010 |
| Representing: | | |
| — Cash and cash equivalents | 1,056,047 | 1,247,010 |
| — Time deposits with original maturity over three months | 20,000 | 20,000 |
| | 1,076,047 | 1,267,010 |

As of the end of the reporting period, cash and cash equivalents situated in the PRC amounted to RMB1,011,644,000 (2021: RMB1,106,933,000). Remittance of funds out of the PRC is subject to relevant rules and regulations of foreign exchange control.

14 Interest-bearing borrowings

(a) The short-term interest-bearing borrowings are analysed as follows:

| | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|---|--|-----------------------------------|
| <i>Note</i> | | |
| Bank loans, secured by property and equipment | 100,000 | 100,000 |
| Bank loans, guaranteed by related parties | 174,000 | 156,304 |
| Other loans | 20,000 | 20,000 |
| | 294,000 | 276,304 |
| Add: current portion of long-term interest-bearing borrowings | 165,800 | 82,350 |
| | 459,800 | 358,654 |

Notes to the Unaudited Interim Financial Report

14 Interest-bearing borrowings (Continued)

(b) The long-term interest-bearing borrowings are analysed as follows:

| | Note | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|--|-------|--|-----------------------------------|
| Bank loans, secured by investment properties and guaranteed by related and/or third parties | | 968,500 | 982,750 |
| Bank loans, secured by investment properties | | 446,400 | 451,100 |
| Other loans, unsecured | | 80,000 | 80,000 |
| | | 1,494,900 | 1,513,850 |
| Less: current portion of long-term interest-bearing borrowings | 14(a) | (165,800) | (82,350) |
| | | 1,329,100 | 1,431,500 |

The long-term interest-bearing borrowings are repayable as follows:

| | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|----------------------------------|--|-----------------------------------|
| Within 1 year | 165,800 | 82,350 |
| After 1 year but within 2 years | 1,003,500 | 1,044,500 |
| After 2 years but within 5 years | 109,600 | 154,000 |
| After 5 years | 216,000 | 233,000 |
| | 1,494,900 | 1,513,850 |

Notes to the Unaudited Interim Financial Report

14 Interest-bearing borrowings (Continued)

- (c) The following assets and their respective carrying values at 30 June 2022 and 31 December 2021 are pledged to secure the Group's bank loans:

| | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|------------------------|--|-----------------------------------|
| Property and equipment | 601,406 | 613,007 |
| Investment properties | 807,227 | 793,459 |
| | 1,408,633 | 1,406,466 |

15 Trade and other payables

| | <i>Note</i> | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|--|-------------|--|-----------------------------------|
| Trade payables | | 17,676 | 29,590 |
| Construction payables | | 166,628 | 168,913 |
| Salary and welfare expenses payable | | 21,475 | 102,766 |
| Professional service fee payables | | 5,538 | 7,864 |
| Deposits | <i>(i)</i> | 325,471 | 368,652 |
| Others | | 81,530 | 126,970 |
| Financial liabilities measured at amortised cost | | 618,318 | 804,755 |
| Other taxes payable | | 7,049 | 29,394 |
| Receipt-in-advance | | 147,668 | 213,181 |
| | | 773,035 | 1,047,330 |

- (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.

- (ii) All other payables apart from the deposit mentioned in (i), are expected to be settled or recognised as income within one year or are payable on demand.

Notes to the Unaudited Interim Financial Report

15 Trade and other payables (Continued)

As of the end of the reporting period, the aging analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

| | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|---------------------------------|--|-----------------------------------|
| Within 1 month | 3,611 | 21,486 |
| 1 to 3 months | 7,897 | 8,078 |
| 3 to 6 months | 1,059 | 26 |
| Over 6 months but within 1 year | 5,109 | – |
| | 17,676 | 29,590 |

16 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 | Accelerated depreciation allowance RMB'000 | Total RMB'000 |
|---|--|---|---|--|---|---|--------------------------|
| At 1 January 2021 | 8,493 | 4,716 | (1,373,464) | (1,181,996) | (5,561) | – | (2,547,812) |
| (Charged)/credited to profit or loss | (746) | 3,397 | 5,389 | 27,916 | (8,894) | (228) | 26,834 |
| At 31 December 2021 and 1 January 2022 | 7,747 | 8,113 | (1,368,075) | (1,154,080) | (14,455) | (228) | (2,520,978) |
| Exchange reserve | – | – | – | – | – | (10) | (10) |
| (Charged)/credited to profit or loss | (371) | 1,623 | 127,877 | 290,109 | (555) | – | 418,683 |
| At 30 June 2022 | 7,376 | 9,736 | (1,240,198) | (863,971) | (15,010) | (238) | (2,102,305) |

Notes to the Unaudited Interim Financial Report

17 Capital, reserves and dividends

(a) Share capital

| | Number of shares | | Amount | |
|---------------------------------|----------------------------|--------------------------------|-------------------------------|-----------------------------------|
| | At 30 June 2022 '000 | At 31 December 2021 '000 | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
| Authorised | | | | |
| Ordinary shares of HKD0.10 each | 15,000,000 | 15,000,000 | | |
| Issued and fully paid | | | | |
| At beginning of period/year | | | | |
| Ordinary shares of HKD0.10 each | 8,896,290 | 8,418,223 | 759,624 | 719,779 |
| Issuance of shares (i) | – | 478,067 | – | 39,845 |
| At end of period/year | | | | |
| Ordinary shares of HKD0.10 each | 8,896,290 | 8,896,290 | 759,624 | 759,624 |

(i) Issuance of shares

On 25 December 2020, the Company entered into a subscription agreement with Nelson Innovation Limited (the "Subscriber"), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of JD.com, Inc., pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for a total of 478,067,066 subscription shares at the subscription price of HKD1.67 per subscription share (the "Subscription").

The above Subscription has completed as all the conditions have been fulfilled on 4 February 2021. The gross proceeds from the Subscription was HKD798,372,000 (equivalent to approximately RMB665,403,000). 478,067,066 subscription shares, approximately 5.37% of the issued share capital of the Company as enlarged by the allotment and issuance of the subscription shares upon completion, have been allotted and issued by the Company under the general mandate on the same date.

Notes to the Unaudited Interim Financial Report

17 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 2022, 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 2022, no share was acquired from the market (six months ended 30 June 2021: Nil).

(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 2022 (six months ended 30 June 2021: 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 2022 (six months ended 30 June 2021: Nil).

18 Fair value measurement of financial instruments

Financial instruments measured at fair value

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 the 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.

Notes to the Unaudited Interim Financial Report

18 Fair value measurement of financial instruments (Continued)

Financial instruments measured at fair value (Continued)

Fair value hierarchy (Continued)

| | Fair value at 30 June 2022 RMB'000 | Fair value measurements as at 30 June 2022 categorised into level 3 RMB'000 | Fair value at 31 December 2021 RMB'000 | Fair value measurements as at 31 December 2021 categorised into level 3 RMB'000 |
|--|---|---|---|--|
| Recurring fair value measurements | | | | |
| Financial assets measured at FVPL | | | | |
| — Investment in Dili Fresh | 106,789 | 106,789 | 252,738 | 252,738 |
| — Derivative financial instruments embedded in investment in Dili Fresh | 967,153 | 967,153 | 815,651 | 815,651 |

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: 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.

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 Discount for lack of marketability | 0.71 (2021: 0.75) 20.6% (2021: 20.6%) |
| — Derivative financial instruments embedded in investment in Dili Fresh | Binomial options pricing model | Expected volatility Expected probability | 40.73% (2021: 36.29%) 92.5% (2021: 92.5%) |

Notes to the Unaudited Interim Financial Report

18 Fair value measurement of financial instruments (Continued)

Information about Level 3 fair value measurements (Continued)

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 instruments 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.

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

| | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|---|--|-----------------------------------|
| Financial assets measured at FVPL: | | |
| At 1 January | 1,068,389 | 979,449 |
| Net unrealised gains on financial assets measured at FVPL | 5,553 | 88,940 |
| | 1,073,942 | 1,068,389 |

19 Capital commitments

Commitments outstanding at 30 June 2022 not provided for in the interim financial statements:

| | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|---|--|-----------------------------------|
| Contracted for | | |
| – acquisition of property and equipment | 188,369 | 197,755 |
| – acquisition of investment property | 66,438 | 70,433 |
| Authorised but not contracted for | | |
| – acquisition of property and equipment | – | 524 |
| | 254,807 | 268,712 |

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20 Material related party transactions and balances

(a) Material related party transactions

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Payment for rental expenses to related parties | (7,875) | (7,500) |
| Loans to related parties (i) (iii) | (70,000) | (224,060) |
| Repayment of loans to related parties (i) (iii) | 50,000 | 31,318 |
| Interest income from loans to related parties (i) (iii) | 28,405 | 19,353 |
| Income on providing financial guarantee (ii) (iii) | 755 | 1,295 |
| Guarantees received from related parties (iv) | 166,000 | 1,107,000 |
| Guarantees revoked from related parties | (162,554) | (1,183,275) |
| Guarantees provided to related parties (ii) (iii) | (40,000) | (130,000) |
| Termination of guarantee for related parties | 30,000 | 110,000 |

- (i) As at 30 June 2022, the Group provided loans to Dili Fresh of RMB1,040,000,000. The amounts are interest-bearing at 6% per annum with maturity dates from August 2022 to December 2023.
- (ii) As at 30 June 2022, the Group provided guarantees to certain bank loans of Dili Fresh amounting of RMB140,000,000, with financial guarantee income of RMB755,000 during the period.
- (iii) On 9 March 2022, Mr. Dai Yongge signed a personal undertaking to maintain sufficient sources of fund to repay the Group and settle all their outstanding amount and liabilities under the loan on behalf of Dili Fresh and indemnify the Group for any damages and liabilities suffered and costs and expenses which may be incurred, including where necessary, to sell or procure the sale of shares held in the Company by Super Brilliant Investments Limited free of encumbrances.
- (iv) As at 30 June 2022, Mr. Dai Yongge provided guarantees to certain bank loans of the Group amounting of RMB1,142,500,000.

(b) Related party balances

| | Note | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|----------------------------------|------|-------------------------------|-----------------------------------|
| Amounts due from related parties | 12 | | |
| — Dili Fresh | | 1,065,051 | 1,044,813 |
| — Other | | 66 | — |
| | | 1,065,117 | 1,044,813 |

Notes to the Unaudited Interim Financial Report

21 Impacts of COVID-19 pandemic

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. These contingency measures include: reassessing fluctuation (if any) to the sales volume and price. The Group will keep the contingency measures under review as the situation evolves.

The Group has assessed the accounting estimates and other matters that require the use of forecasted financial information for the impact of the COVID-19 pandemic. The assessment included estimates of the unknown future impacts of the pandemic using information that is reasonably available at this time. Accounting estimates and other matters assessed mainly include the allowance for expected credit losses of receivables from customers, inventory valuation, impairment assessment of long-term assets, valuation of financial assets and liabilities, and the recoverability of tax assets. As far as the Group's businesses are concerned, due to the outbreak of COVID-19, revenue from commission and lease income of several agriculture wholesale markets and the repayment abilities of the Group's debtors were impacted, which resulted in decrease of commission and lease income, net valuation losses on investment properties, impairment loss on property and equipment and impairment losses on trade and other receivables. As additional information becomes available, the future assessment of these estimates, including expectations about the severity, duration and scope of the pandemic, could differ materially in the future reporting periods.

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 20 to 47 which comprises the consolidated statement of financial position of China Dili Group as of 30 June 2022 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 2022 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
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25 August 2022