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中国地利集团 China Dili Group

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,744,575	1,450,148
Profit for the year	251,654	203,320
Profit attributable to equity shareholders of the Company	245,042	194,207
Basic and diluted earnings per share <i>(RMB cents)</i>	2.81	2.95

The board of directors (the “Board”) of China Dili Group (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Revenue	<i>3</i>	1,744,575	1,450,148
Other income	<i>4</i>	153,608	163,733
Cost of goods sold		(325,776)	(74,381)
Distribution costs		(31,868)	–
Operating expenses		(340,359)	(345,306)
Administrative expenses		(680,628)	(701,321)
Impairment losses on trade and other receivables		(45,836)	(15,830)
Profit from operations		473,716	477,043
Net unrealised gains on financial assets measured at fair value through profit or loss		88,940	55,611
Net valuation losses on investment properties		(91,146)	(73,481)
Loss on settlement of pre-existing relationship		–	(34,899)
Share of loss of an associate		(6,243)	–
Net finance costs	<i>5(b)</i>	(78,120)	(69,753)
Profit before taxation	<i>5</i>	387,147	354,521
Income tax	<i>6</i>	(135,493)	(151,201)
Profit for the year		251,654	203,320
Attributable to:			
Equity shareholders of the Company		245,042	194,207
Non-controlling interests		6,612	9,113
Profit for the year		251,654	203,320
Basic and diluted earnings per share <i>(RMB cents)</i>	<i>8</i>	2.81	2.95

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

For the year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year	251,654	203,320
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company and certain overseas subsidiaries	<u>16,923</u>	<u>(21,279)</u>
Total comprehensive income for the year	<u>268,577</u>	<u>182,041</u>
Attributable to:		
Equity shareholders of the Company	261,965	172,928
Non-controlling interests	<u>6,612</u>	<u>9,113</u>
Total comprehensive income for the year	<u>268,577</u>	<u>182,041</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		31 December 2021	31 December 2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property and equipment		7,264,223	7,448,617
Investment properties		6,694,700	6,729,300
Intangible assets		14,090	11,867
Goodwill		1,743,701	1,743,701
Interest in an associate	9	42,757	–
Other assets		1,074,692	981,152
Trade and other receivables	10	72,567	509,158
Deferred tax assets		15,860	13,209
Total non-current assets		<u>16,922,590</u>	<u>17,437,004</u>
Current assets			
Inventories	11	170,085	52,532
Trade and other receivables	10	1,701,225	700,397
Other assets		5,886	14,798
Cash and cash equivalents		1,267,010	914,653
Total current assets		<u>3,144,206</u>	<u>1,682,380</u>
Current liabilities			
Interest-bearing borrowings	12	358,654	1,415,555
Trade and other payables	13	1,047,330	1,046,560
Contract liabilities		32,041	–
Lease liabilities		51,656	52,957
Taxation		112,710	134,607
Total current liabilities		<u>1,602,391</u>	<u>2,649,679</u>
Net current assets/(liabilities)		<u>1,541,815</u>	<u>(967,299)</u>
Total assets less current liabilities		<u>18,464,405</u>	<u>16,469,705</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*At 31 December 2021*

		31 December 2021	31 December 2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
Interest-bearing borrowings	<i>12</i>	1,431,500	305,100
Lease liabilities		417,377	459,781
Deferred tax liabilities		2,536,838	2,561,021
Deferred income		35,721	39,053
		<hr/>	<hr/>
Total non-current liabilities		<u>4,421,436</u>	<u>3,364,955</u>
Net assets		<u>14,042,969</u>	<u>13,104,750</u>
Capital and reserves			
Share capital	<i>14</i>	759,624	719,779
Reserves		12,980,556	12,093,033
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		13,740,180	12,812,812
Non-controlling interests		302,789	291,938
		<hr/>	<hr/>
Total equity		<u>14,042,969</u>	<u>13,104,750</u>

NOTES:

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE

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

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

Changes in Accounting Policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*
- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

3. REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers		
within the scope of IFRS 15		
Commission income	959,037	936,408
Sales of agricultural products	340,743	81,381
Revenue from other sources		
Lease income	<u>444,795</u>	<u>432,359</u>
	<u>1,744,575</u>	<u>1,450,148</u>

All of the Group's operations are located in 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 year (2020: 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 market
- 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 year ended 31 December 2021 and 2020 is set out below.

3. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

2021

	Operation of agriculture wholesale markets <i>RMB'000</i>	Sales of agricultural products <i>RMB'000</i>	Total <i>RMB'000</i>
Disaggregated by timing of revenue recognition			
Point in time	959,037	340,743	1,299,780
Over time	<u>444,795</u>	<u>–</u>	<u>444,795</u>
Revenue from external customers	1,403,832	340,743	1,744,575
Inter-segment revenue	<u>–</u>	<u>1,711</u>	<u>1,711</u>
Reportable segment revenue	<u><u>1,403,832</u></u>	<u><u>342,454</u></u>	<u><u>1,746,286</u></u>
Reportable segment profit/(loss) (adjusted EBITDA)	<u><u>885,653</u></u>	<u><u>(32,902)</u></u>	<u><u>852,751</u></u>

2020

	Operation of agriculture wholesale markets <i>RMB'000</i>	Sales of agricultural products <i>RMB'000</i>	Total <i>RMB'000</i>
Disaggregated by timing of revenue recognition			
Point in time	1,017,789	–	1,017,789
Over time	<u>432,359</u>	<u>–</u>	<u>432,359</u>
Revenue from external customers	1,450,148	–	1,450,148
Inter-segment revenue	<u>–</u>	<u>–</u>	<u>–</u>
Reportable segment revenue	<u><u>1,450,148</u></u>	<u><u>–</u></u>	<u><u>1,450,148</u></u>
Reportable segment profit (adjusted EBITDA)	<u><u>850,160</u></u>	<u><u>–</u></u>	<u><u>850,160</u></u>

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.

3. REVENUE AND SEGMENT REPORTING (CONTINUED)

(c) Reconciliation of reportable segment profit

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Reportable segment profit	852,751	850,160
Elimination of inter-segment profits	<u>(644)</u>	<u>–</u>
Reportable segment profit derived from group's external customers	852,107	850,160
Share of loss of an associate	(6,243)	–
Other income	153,608	163,733
Depreciation and amortisation	(275,312)	(301,716)
Net finance costs	(78,120)	(69,753)
Net valuation losses on investment properties	(91,146)	(73,481)
Loss on settlement of pre-existing relationship	–	(34,899)
Net unrealised gains on financial assets measured at fair value through profit or loss	88,940	55,611
Unallocated head office and corporate administration expenses	<u>(256,687)</u>	<u>(235,134)</u>
Profit before taxation	<u><u>387,147</u></u>	<u><u>354,521</u></u>

4. OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Market service fee income	144,941	146,909
Net loss on disposal of property and equipment	(5,770)	(3,842)
Government grants	11,255	16,546
Income on providing financial guarantee	3,182	4,100
Others	<u>–</u>	<u>20</u>
	<u><u>153,608</u></u>	<u><u>163,733</u></u>

5. PROFIT BEFORE TAXATION

Profit before taxation is arriving after charging/(crediting):

(a) Personnel expenses

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Wages, salaries and other benefits	419,143	422,742
Contributions to defined contribution retirement plans	<u>30,668</u>	<u>6,896</u>
	<u>449,811</u>	<u>429,638</u>

(b) Net finance costs

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Finance income		
– Interest income on bank deposits	(13,615)	(7,112)
– Interest income on loans to related parties	(45,595)	(31,397)
– Interest income on loans to third parties	(2,120)	(9,818)
– Gain on disposal of financial assets	<u>(148)</u>	<u>(437)</u>
(61,478)(48,764)
Finance costs		
– Interest on interest-bearing borrowings	88,256	53,761
– Interest on lease liabilities	23,696	60,989
– Bank charges and others	2,584	1,491
– Net foreign exchange loss	<u>25,062</u>	<u>2,276</u>
	<u>139,598</u>	<u>118,517</u>
	<u>78,120</u>	<u>69,753</u>

5. PROFIT BEFORE TAXATION (Continued)

(c) Other items

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation		
– owned property and equipment	206,045	145,532
– right-of-use assets	69,247	156,184
Repairs and maintenance	38,400	27,957
Utility charges	49,700	40,763
Auditors' remuneration	10,919	8,520
Cost of inventories	325,776	74,381

6. INCOME TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
Provision for the year	159,366	198,455
Under-provision in respect of prior years	<u>2,961</u>	<u>4,550</u>
	162,327	203,005
Deferred tax		
Reversal and origination of temporary differences	<u>(26,834)</u>	<u>(51,804)</u>
	<u><u>135,493</u></u>	<u><u>151,201</u></u>

- (i) According to the Corporate Income Tax Law of the PRC, from 1 January 2008, the statutory income tax rate applicable to the Group's subsidiaries in the PRC is 25% (2020: 25%).
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) No provision for Hong Kong Profits Tax has been made as the Group did not earn any profit subject to Hong Kong Profits Tax during the year.

7. DIVIDENDS

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

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

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

The directors of the Company did not approve or pay any dividend in respect of the previous financial year during the year (2020: Nil).

8. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB245,042,000 (2020: profit of RMB194,207,000) and the weighted average of 8,727,961,000 ordinary shares (2020: 6,574,234,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2021 '000	2020 '000
Issued ordinary shares at 1 January	8,418,223	5,715,593
Effect of shares issued for the conversion of a convertible bond	–	982,103
Issuance of shares	433,534	–
Effect of shares held for share award scheme	<u>(123,796)</u>	<u>(123,462)</u>
Weighted average number of ordinary shares at 31 December	<u>8,727,961</u>	<u>6,574,234</u>

During the years ended 31 December 2021 and 2020, diluted earnings per share is calculated on the same basis as basic earnings per share.

9. INTEREST IN AN ASSOCIATE

The Group's interest in an associate represents equity interest in unlisted corporate entity whose quoted market price is not available. This associate is accounted for using the equity method in the consolidated financial statements.

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	<i>Proportion of ownership interest</i>			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
Shenzhen City Jingdida Supply Chain Management Co., Ltd.	Incorporated	People's republic of China	Registered capital RMB 200,000,000	49%	-	49%	Supply chain management services (i)

- (i) Shenzhen City Jingdida Supply Chain Management Co., Ltd. is a strategic partner for the Group in expanding sales of agricultural and side products, supply chain management services and warehousing.

10. TRADE AND OTHER RECEIVABLES

	Note	2021 RMB'000	2020 RMB'000
Trade receivables	(i)	63,524	-
Amounts due from related parties	(ii)	1,044,813	700,937
Receivable for disposal of property and equipment	(iii)	43,728	52,764
Amounts due from a third party	(iv)	22,801	23,681
Deposits	(v)	200,000	200,000
Other debtors	(vi)	245,066	70,600
		<u>1,619,932</u>	<u>1,047,982</u>
Financial assets measured at amortised cost			
Less: impairment losses on trade and other receivables		<u>61,666</u>	<u>15,830</u>
		<u>1,558,266</u>	<u>1,032,152</u>
Prepayments		<u>215,526</u>	<u>177,403</u>
Total		<u><u>1,773,792</u></u>	<u><u>1,209,555</u></u>
Representing:			
– Non-current		72,567	509,158
– Current		<u>1,701,225</u>	<u>700,397</u>
		<u><u>1,773,792</u></u>	<u><u>1,209,555</u></u>

10. 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 follow:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 month	36,357	–
1 to 2 months	25,107	–
2 to 3 months	–	–
Over 3 months but within 6 months	2,060	–
	63,524	–

(ii) Amounts due from related parties

Amounts due from related parties represent the loans to Dili Fresh of RMB1,020,000,000 and the related interest as at 31 December 2021 (as at 31 December 2020: RMB680,000,000). The amounts are interest bearing at 6% per annum with maturity dates from February 2022 to August 2023.

(iii) 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 31 December 2021, the amount of RMB43,728,000 had been fully recognised for impairment loss.

(iv) Amounts due from a third party

The amounts due from a third party are unsecured and non-interest-bearing loan due from a seafood product market operating company under a cooperation contract with the Group. As at 31 December 2021, RMB6,840,000 was overdue. According to the supplemental agreements, RMB2,301,000, 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 31 December 2021, an impairment loss of RMB7,992,000 was recognised for the amounts due from a third party.

10. TRADE AND OTHER RECEIVABLES (Continued)

(v) 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.

(vi) Other debtors

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

11. INVENTORIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trading goods	<u>170,085</u>	<u>52,532</u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Carrying amount of inventories sold	311,422	74,381
Write down of inventories	<u>14,354</u>	<u>—</u>
	<u>325,776</u>	<u>74,381</u>

12. INTEREST-BEARING BORROWINGS

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

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Bank loans, secured by property and equipment		100,000	100,000
Bank loans, guaranteed by related parties		156,304	186,275
Other loans		20,000	20,000
		276,304	306,275
Add: current portion of long-term interest-bearing borrowings	<i>12(b)</i>	82,350	1,109,280
		358,654	1,415,555

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

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Bank loans, secured by investment properties and guaranteed by related and /or third parties		982,750	997,000
Bank loans, secured by investment properties		451,100	337,380
Other loans, unsecured		80,000	80,000
		1,513,850	1,414,380
Less: current portion of long-term interest-bearing borrowings	<i>12(a)</i>	(82,350)	(1,109,280)
		1,431,500	305,100

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	82,350	1,109,280
After 1 year but within 2 years	1,044,500	51,600
After 2 years but within 5 years	154,000	173,500
After 5 years	233,000	80,000
	1,513,850	1,414,380

13. TRADE AND OTHER PAYABLES

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Trade payables		29,590	–
Construction payables		168,913	154,772
Salary and welfare expenses payable		102,766	128,861
Professional service fee payables		7,864	6,981
Deposits	<i>(i)</i>	368,652	354,962
Others		126,970	168,236
		<hr/>	<hr/>
Financial liabilities measured at amortised cost		804,755	813,812
Other taxes payable		29,394	30,774
Receipt-in-advance		213,181	201,974
		<hr/>	<hr/>
		1,047,330	1,046,560
		<hr/> <hr/>	<hr/> <hr/>

(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.

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:

	2021 RMB'000	2020 <i>RMB'000</i>
Within 1 month	21,486	–
1 to 3 months	8,078	–
Over 3 months but within 6 months	26	–
	<hr/>	<hr/>
	29,590	–
	<hr/> <hr/>	<hr/> <hr/>

14. SHARE CAPITAL

	Number of shares		Amount	
	At 31 December 2021 '000	At 31 December 2020 '000	At 31 December 2021 RMB'000	At 31 December 2020 RMB'000
Authorised:				
Ordinary shares of HKD0.10 each	<u>15,000,000</u>	<u>15,000,000</u>		
Issued and fully paid:				
At beginning of year				
Ordinary shares of HKD0.10 each	8,418,223	5,715,593	719,779	478,794
Conversion of a convertible bond (i)	–	2,702,630	–	240,985
Issuance of shares (ii)	<u>478,067</u>	–	<u>39,845</u>	–
At end of year				
Ordinary shares of HKD0.10 each	<u>8,896,290</u>	<u>8,418,223</u>	<u>759,624</u>	<u>719,779</u>

(i) Conversion of a convertible bond

On the same date of the completion of the acquisition which the details were set out in the circulars dated 29 June 2018 and 29 May 2020, upon issuance of the unsecured HKD settled convertible bond in the principal amount of HKD4,405,286,344 (equivalent to approximately RMB4.0 billion) to be issued by the Company in favour of New Amuse Limited (the “New Amuse”, the controlling shareholder of the Company) and New Amuse has fully exercised its conversion rights. As a result of the conversion, 2,702,629,658 conversion shares have been allotted and issued to New Amuse by the Company.

(ii) 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, representing 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group operated 10 agriculture wholesale markets in 7 cities in the PRC during the year.

BUSINESS REVIEW

Agriculture Wholesale Market	Location	Total Gross Floor Area (sq.m.)
Hangzhou Fruit-products Market	Hangzhou city, Zhejiang province	104,320
Hangzhou Vegetable Market	Hangzhou city, Zhejiang province	44,928
Hangzhou Seafood Market	Hangzhou city, Zhejiang province	95,769
Shenyang Shouguang Dili Agricultural Produce and Side Products Market ("Shenyang Market")	Shenyang city, Liaoning province	264,517
Guiyang Agricultural Produce Logistic Park ("Guiyang Market")	Guiyang city, Guizhou province	188,281
Harbin Hada Agricultural Produce and Side Products Market ("Harbin Hada Market")	Harbin city, Heilongjiang province	217,574
Qiqihar Hada Agricultural Produce Market ("Qiqihar Hada Market")	Qiqihar city, Heilongjiang province	40,593
Muda International Agricultural Produce Logistic Park ("Muda Market")	Mudanjiang city, Heilongjiang province	169,019
Harbin Youyi Agricultural Produce Market ("Harbin Youyi Market")	Harbin city, Heilongjiang province	13,656
China Shouguang Agricultural Produce Logistic Park ("Shouguang Market")	Shouguang city, Shandong province	545,457
Total		<hr/> <hr/> 1,684,114

BUSINESS REVIEW (Continued)

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 31 December 2021, the fair value of the investment in Dili Fresh and the derivative financial instruments embedded in investment in Dili Fresh was RMB1,068.4 million. The net unrealised gain on the investment was RMB88.9 million during the year ended 31 December 2021. 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 revitalization and industrial transformation and upgrading. 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.

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 year ended 31 December 2021, the Group recorded a consolidated revenue of approximately RMB1,744.6 million (2020: RMB1,450.1 million), representing an increase of about 20.3% when compared with that of last year. The commission income increased by 2.4% to RMB959.0 million this year as compared to RMB936.4 million last year. The lease income also increased by 2.9% to RMB444.8 million this year as compared to RMB432.4 million last year. The Group has started to record revenue from supply chain business during the second half of 2020. For the year ended 31 December 2021, sales of agricultural products were amounted to approximately RMB340.8 million as compared to RMB81.3 million last year.

The Group experienced challenging business operation conditions with the impact of coronavirus (“COVID-19”) pandemic, lockdowns and social distancing measures since early 2020 which resulted in temporary closures or shortening of operating hours in our agriculture wholesale markets. With the gradual recovery from the adverse impact of COVID-19 in this year, the transaction volumes increased and commission income slightly rose accordingly. The lease income also rose slightly by 2.9%. In addition, the Group actively adjusted the business measure in light of market change, broadened business models to effectively respond to the pandemic and achieve sustainable development by starting the business of sales of agricultural products.

	2021	2020	Change	Change
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>%</i>
Commission income	959.0	936.4	22.6	2.4
Lease income	444.8	432.4	12.4	2.9
Sales of agricultural products	340.8	81.3	259.5	319.2
Total	1,744.6	1,450.1	294.5	20.3

FINANCIAL REVIEW (Continued)

Revenue (Continued)

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

	<i>Note</i>	2021 <i>RMB'million</i>	2020 <i>RMB'million</i>	Change <i>RMB'million</i>	Change <i>%</i>
Hangzhou Fruit-products Market	<i>(i)</i>	156.7	146.6	10.1	6.9
Hangzhou Vegetable Market	<i>(i)</i>	155.0	151.7	3.3	2.2
Hangzhou Seafood Market		81.1	79.8	1.3	1.6
Shenyang Market		353.8	352.0	1.8	0.5
Guiyang Market	<i>(ii)</i>	167.8	143.0	24.8	17.3
Harbin Hada Market	<i>(iii)</i>	223.2	231.4	(8.2)	(3.5)
Qiqihar Hada Market		49.7	47.9	1.8	3.8
Muda Market		37.2	37.1	0.1	0.3
Harbin Youyi Market	<i>(iii)</i>	19.7	24.2	(4.5)	(18.6)
Shouguang Market	<i>(ii)</i>	159.6	155.1	4.5	2.9
Total		<u>1,403.8</u>	<u>1,368.8</u>	<u>35.0</u>	2.6

Notes:

- (i) The rise in revenue was due to increase in leased areas, the occupancy rate and the commission rate was revised upwards.
- (ii) The rise in revenue was mainly due to the increase in the transaction volume as the COVID-19 pandemic is stabilising gradually.
- (iii) The drop in revenue was mainly due to the decrease in the transaction volume, leased areas and the occupancy rate which had been deeply hit when some of the imported fruits were contaminated by COVID-19 virus in Harbin markets.

FINANCIAL REVIEW (Continued)

Gross profit and gross profit margin

The gross profit from the sales of agricultural products was RMB15.0 million for the year ended 31 December 2021 as compared to RMB7.0 million for the year ended 31 December 2020.

The gross profit margin from the sales of agricultural products decreased from 8.5% for the year ended 31 December 2020 to 4.4% for the year ended 31 December 2021. The significant decline was mainly due to change in product mix. In 2020, the product sales comprised mainly vegetables and fresh fruits. In 2021, apart from selling vegetables and fresh fruits, the product sales included potatoes, starch, eggs, meat and others which have comparatively lower margin.

The following table provides a summary of the revenue, cost of goods sold and gross profit for the years ended 31 December 2021 and 2020.

	2021	2020	Change	Change
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>%</i>
Revenue	340.8	81.3	259.5	319.2
Cost of goods sold	325.8	74.4	251.4	337.9
Gross profit	15.0	6.9	8.1	117.4
Gross profit margin	4.4%	8.5%	(4.1%)	

Other income

Other income mainly comprised market service fee income of RMB144.9 million (2020: RMB146.9 million).

Operating expenses

Operating expenses mainly comprised operating staff cost, depreciation and utility charges.

Administrative expenses

Administrative expenses mainly comprised staff cost and depreciation.

FINANCIAL REVIEW (Continued)

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 year.

Finance costs

Finance cost mainly represented interest on interest-bearing borrowings and lease liabilities. For the year ended 31 December 2021, the finance cost increased by 17.8% to RMB139.6 million. The increase was mainly due to the increase in interest on interest-bearing borrowings to RMB88.3 million this year as compared to RMB53.8 million last year. The increase was mainly due to the increase in bank loans upon the completion of Hada Acquisition in August 2020.

Liquidity and Financial Resources

As at 31 December 2021, the net current assets of the Group amounted to approximately RMB1,541.8 million (2020: net current liabilities of RMB967.3 million). The current ratio, expressed as current assets over current liabilities, was approximately 1.96 (2020: approximately 0.63).

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 31 December 2021 are repayable as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	358,654	1,415,555
After one year but within two years	1,044,500	51,600
After two years but within five years	154,000	173,500
After five years	233,000	80,000
	<u>1,790,154</u>	<u>1,720,655</u>

There was no material effect of seasonality on the Group's borrowing requirement. As at 31 December 2021, all the interest-bearing borrowings are denominated in RMB.

FINANCIAL REVIEW (Continued)

Capital Structure and Treasury Policy

On 25 December 2020, the Company and the subscriber entered into a subscription agreement (the “Subscription Agreement”), 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 subscriber is a wholly-owned subsidiary of JD.com, Inc.. JD.com, Inc. is a leading technology driven e-commerce company transforming to become a leading supply chain-based technology and service provider, the American depository shares of which are listed on Nasdaq under the symbol “JD” and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 9618). The Subscription represents an excellent opportunity for the Company to broaden its shareholder base and to finance future development and expansion of the businesses of the Group. In addition, it will also create synergies between the businesses of the Group and JD.com, Inc. and facilitate future development and business growth of the Group.

The gross proceeds and the net proceeds (after deduction of the relevant expenses and fees) from the Subscription were HKD798,372,000 and approximately HKD796,681,000, respectively. The Company intended to use the net proceeds from the Subscription for possible investment(s) in the future when opportunities arise and as general working capital of the Group.

As all the conditions precedent to the completion of the Subscription pursuant to the Subscription Agreement have been fulfilled and the completion of the Subscription has taken place on 4 February 2021. 478,067,066 subscription shares have been allotted and issued by the Company under the general mandate to the subscriber at the subscription price of HKD1.67 per subscription share in accordance with the terms and conditions of the Subscription Agreement. The net proceeds of approximately HKD796.7 million had been received by the Company.

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.

FINANCIAL REVIEW (Continued)

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 year ended 31 December 2021 and the residual balance to be used as at 31 December 2021 are as follows:

Proposed use of proceeds from the Rights Issue	Residual balance as at 1 January 2021 <i>HKD' million</i>	Used during the year <i>HKD' million</i>	Residual balance to be used as at 31 December 2021 <i>HKD' million</i>
(i) For enlarging the trading hall and rental area of the markets	67	(67)	–
(ii) For upgrading infrastructure facilities of the markets	61	(37)	24
(iii) For developing and installing information software and data collection and analysis systems in the markets	60	(10)	50
	<u>188</u>	<u>(114)</u>	<u>74</u>

Use of Proceeds from the Subscription

The proceeds from the Subscription have been partially utilised subsequent to the completion of the Subscription as set out under the section “Reasons for and benefits of the subscription and use of proceeds” of the Company’s announcement dated 25 December 2020. As at 31 December 2021, the net proceeds of approximately HKD796.7 million from the Subscription had been received by the Company, in which approximately HKD59.9 million has been utilised for the investment and approximately HKD559.5 million has been utilised for general working capital of the Group. The residual balance from the Subscription of HKD177.3 million is expected to be utilised on or before 31 December 2022.

FINANCIAL REVIEW (Continued)

Charges on Assets

As at 31 December 2021, certain property and equipment and investment properties which had an aggregate carrying value of RMB1,406.5 million (2020: RMB1,270.1 million) were pledged as securities for bank loans.

Capital Commitment

As at 31 December 2021, the future capital expenditure for which the Group had contracted but not provided for amounted to approximately RMB268.7 million (2020: RMB113.9 million).

Contingent Liabilities

As at 31 December 2021, the Group provided financial guarantees to banks in respect of banking facilities granted to related parties amounted to RMB200.0 million (2020: RMB290.0 million), of which RMB130.0 million (2020: RMB165.0 million) has been utilised by the related parties.

Gearing Ratio

The gearing ratio as at 31 December 2021, which was calculated by dividing the total interest-bearing borrowings and lease liabilities by total assets, was 11.26% (2020: 11.68%).

Human Resources

As at 31 December 2021, the Group employed 2,651 staff (as at 31 December 2020: 2,512 staff). The Group's employees are remunerated according to the job nature, individual performance and market trends with built-in merit components. Total remuneration for the year ended 31 December 2021 was approximately RMB419.1 million as compared with RMB422.7 million for the year ended 31 December 2020. 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 does not recommend the payment of any dividend in respect of the year ended 31 December 2021 (2020: Nil).

SHARE AWARD SCHEME

A share award scheme was adopted by the Board on 28 August 2018 (the “Share Award Scheme”) to (i) recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group. An independent third party has been appointed as a trustee (the “Trustee”) under the Share Award Scheme.

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

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the date of its adoption. Pursuant to the Share Award Scheme, the Trustee will purchase existing shares of the Company from the market or subscribe for new shares from the Company out of cash contributed by the Group and such shares will be held on trust for selected employees until such awarded shares are vested with the relevant selected employees. Vested shares will be transferred to the selected employees at no cost. At no point in time shall the Trustee be holding more than 5% of the total number of shares of the Company in issue under the Share Award Scheme. Details of the rules of the Share Award Scheme were set out in the announcement of the Company dated 28 August 2018.

Up to 31 December 2021, 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 year, the Company has not issued any shares or granted any awarded shares under the Share Award Scheme to any selected employees.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2021.

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 of the Company. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions in the CG Code throughout the year ended 31 December 2021, save and except for code provision E.1.2 (code provision F.2.2 of new CGC Code revised on 1 January 2022). Under this code provision, the chairman of the board should attend the annual general meeting (“AGM”). Mr. Wang Yan, the Chairman of the Board was unable to attend the AGM of the Company held on 24 June 2021 due to other business commitments. In absence of the Chairman, Mr. Fan Ren-Da, Anthony, an independent non-executive director of the Company, acted as the Chairman of the AGM. The Board will finalise and inform the date of the AGM as earliest as possible to make sure that the directors would attend the AGM of the Company in the future. Save as disclosed above, there has been no other deviation from the code provisions of the CG Code by the Company for the year ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code for directors’ securities transactions. Upon specific enquiry made by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

On behalf of the Board
China Dili Group
Wang Yan
Chairman

Hong Kong, 24 March 2022

As at the date of this announcement, the Board of the Company consists of Mr. Wang Yan, Mr. Dai Bin and Ms. Qin Xiang as executive directors; Mr. Yin Jianhong and Mr. Liu Lizhen as non-executive director; and Mr. Fan Ren-Da, Anthony, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man as independent non-executive directors.