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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 2020

FINANCIAL HIGHLIGHTS	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,450,148	1,421,019
Profit from operations	477,043	627,855
Profit for the year	203,320	570,455
Profit attributable to equity shareholders of the Company	194,207	557,285
Basic and diluted earnings per share <i>(RMB cents)</i>	2.95	9.94

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 2020 with comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	3	1,450,148	1,421,019
Other income	4	163,733	143,785
Cost of goods sold		(74,381)	–
Operating expenses		(345,306)	(314,278)
Impairment loss on other receivables		(15,830)	–
Administrative expenses		(701,321)	(622,671)
Profit from operations		477,043	627,855
Net unrealised gain/(loss) on financial assets measured at fair value through profit or loss		55,611	(21,865)
Net valuation gain on investment properties		–	243,422
Net valuation loss on investment properties		(73,481)	–
Loss on settlement of pre-existing relationship		(34,899)	–
Net finance costs	6(b)	(69,753)	(43,962)
Profit before taxation	6	354,521	805,450
Income tax	7	(151,201)	(234,995)
Profit for the year		203,320	570,455
Attributable to:			
Equity shareholders of the Company		194,207	557,285
Non-controlling interests		9,113	13,170
Profit for the year		203,320	570,455
Basic and diluted earnings per share <i>(RMB cents)</i>	9	2.95	9.94

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

For the year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year	203,320	570,455
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>(21,279)</u>	<u>34,684</u>
Total comprehensive income for the year	<u>182,041</u>	<u>605,139</u>
Attributable to:		
Equity shareholders of the Company	172,928	591,969
Non-controlling interests	<u>9,113</u>	<u>13,170</u>
Total comprehensive income for the year	<u>182,041</u>	<u>605,139</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		31 December 2020	31 December 2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property and equipment	<i>10</i>	7,448,617	4,778,359
Investment properties	<i>11</i>	6,729,300	4,768,900
Intangible assets		11,867	12,630
Goodwill	<i>12</i>	1,743,701	1,094,526
Other assets	<i>13</i>	981,152	927,677
Other receivables	<i>14</i>	509,158	255,460
Deferred tax assets		13,209	601
		<hr/>	<hr/>
Total non-current assets		17,437,004	11,838,153
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		52,532	44,337
Other receivables	<i>14</i>	700,397	948,968
Other assets	<i>13</i>	14,798	2,262
Cash at bank and on hand		914,653	671,619
		<hr/>	<hr/>
Total current assets		1,682,380	1,667,186
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Interest-bearing borrowings		1,415,555	173,500
Other payables	<i>15</i>	1,046,560	860,281
Lease liabilities	<i>16</i>	52,957	125,617
Taxation		134,607	114,698
		<hr/>	<hr/>
Total current liabilities		2,649,679	1,274,096
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net current (liabilities)/assets		(967,299)	393,090
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets less current liabilities		16,469,705	12,231,243
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*At 31 December 2020*

		31 December 2020	31 December 2019
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Non-current liabilities			
Interest-bearing borrowings		305,100	299,680
Lease liabilities	<i>16</i>	459,781	1,447,037
Deferred tax liabilities		2,561,021	1,657,844
Deferred income		39,053	2,404
		<hr/>	<hr/>
Total non-current liabilities		3,364,955	3,406,965
		<hr/>	<hr/>
Net assets		13,104,750	8,824,278
		<hr/>	<hr/>
Capital and reserves			
Share capital	<i>17</i>	719,779	478,794
Reserves		12,093,033	8,134,133
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		12,812,812	8,612,927
		<hr/>	<hr/>
Non-controlling interests		291,938	211,351
		<hr/>	<hr/>
Total equity		13,104,750	8,824,278
		<hr/>	<hr/>

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”).

Pursuant to a special resolution in relation to the change of company name duly passed at the extraordinary general meeting of the Company held on 24 May 2019, together with the approvals granted by the Registry of Companies in the Cayman Islands in respect of the change of company name and the adoption of dual foreign name on 29 May 2019 and 30 May 2019 respectively, the name of the Company has been changed from “Renhe Commercial Holdings Company Limited (人和商業控股有限公司)” to “China Dili Group (中国地利集团)”.

2. STATEMENT OF COMPLIANCE

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

The IASB has issued certain 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.

2. STATEMENT OF COMPLIANCE (Continued)

Basis of preparation of the financial statements

As at 31 December 2020, the Company had net current liabilities of RMB967,299,000 (31 December 2019 net current assets: RMB393,090,000). Notwithstanding the net current liabilities as at 31 December 2020, the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. This is because based on a cash flow forecast of the Group for the next twelve months ending 31 December 2021 prepared by the management, which has taken into account of the extension of maturity date of short-term interest-bearing borrowings of RMB997 million as agreed with the bank and the proceeds from the subsequent subscription of a wholly-owned subsidiary of JD.com, Inc. of approximately RMB665 million in February 2021, the directors of the Company are of the opinion that the Group will have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the end of the reporting period. Accordingly, the directors of the Company consider it is appropriate to prepare the consolidated financial statements on a going concern basis.

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 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

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 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. In particular, the Group has elected to apply the concentration test to an acquisition during the year.

3. REVENUE AND SEGMENT REPORTING

(a) Disaggregation of revenue

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Commission income	936,408	1,009,960
Sales of agricultural products	81,381	–
Revenue from other sources		
Rental income	432,359	411,059
	<u>1,450,148</u>	<u>1,421,019</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition for the years ended 31 December 2020 and 2019 is set out below:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Disaggregated by timing of revenue recognition		
Point in time	1,017,789	1,009,960
Over time	432,359	411,059
	<u>1,450,148</u>	<u>1,421,019</u>

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 (2019: Nil).

(b) Segment reporting

The Group manages its business in a single segment, namely operation of agriculture wholesale markets. The Group's most senior executive management assesses performance and allocates resources on a group basis. Accordingly, no operating segment information is presented.

All of the Group's operations are located in the PRC, therefore no geographical segment reporting is presented.

4. OTHER INCOME

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Market service fee income	146,909	151,172
Net loss on disposal of property and equipment	(3,842)	(12,835)
Government grants	16,546	5,055
Income on providing financial guarantee	4,100	–
Others	20	393
	163,733	143,785

5. ACQUISITION OF BUSINESS

On 5 June 2018, the Company and Yield Smart Limited (“Yield Smart”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with New Amuse Limited (the “New Amuse”), a company incorporated in the British Virgin Islands (the “BVI”) and indirectly wholly-owned by Ms. Zhang, a connected person of the Company. Pursuant to the sale and purchase agreement, Yield Smart would acquire the entire issued share capital of United Progress Group Limited (the “United Progress”) (the “Hada Acquisition”) , which owns equity interests in certain agriculture wholesale markets in the PRC (the “Hada Business”).

The Hada Acquisition was completed on 21 August 2020 (the “Acquisition Date”). As a result, United Progress became a wholly-owned subsidiary of the Company. The total consideration for the Hada Acquisition was RMB7,764 million, which comprised the fair value of the convertible bond issued and the effect of the in-substance settlement of pre-existing lease agreements with New Amuse. The settlement of the lease agreements resulted in a valuation loss of RMB35 million recognised at the settlement date, based on the fair value of the off-market component of the lease agreements.

5. ACQUISITION OF BUSINESS (Continued)

	<i>Note</i>	<i>RMB'000</i>
Fair value of settlement of pre-existing lease agreements with New Amuse		3,724,800
Less:		
Derecognition of right-of-use assets included in investment properties	<i>11(a)</i>	4,122,500
Derecognition of right-of-use assets included in property and equipment	<i>10(a)</i>	2,106,717
Derecognition of lease liabilities		(1,230,807)
Derecognition of deferred tax recognised		<u>(1,238,711)</u>
Loss on settlement of pre-existing relationship		<u><u>(34,899)</u></u>

The number of shares related to convertible bond was determined based on the business value of the acquired business and issue price of HKD1.63 per share.

As the fair value of the consideration at the Acquisition Date is higher than the business value of the acquired business of RMB649 million, goodwill of RMB649 million was recognised, which is attributable mainly to the Group's management and workforce, and the synergies with other agriculture markets under common control.

5. ACQUISITION OF BUSINESS (Continued)

The identifiable assets acquired and liabilities assumed in the above Hada Acquisition were as follows:

	<i>Note</i>	Recognised values on acquisition <i>RMB'000</i>
Property and equipment	<i>10</i>	4,524,576
Investment properties	<i>11</i>	6,147,100
Other receivables		91,067
Deferred tax assets		8,327
Cash at bank and on hand		1,411,290
Interest-bearing borrowings		(2,469,000)
Other payables		(365,572)
Taxation		(4,800)
Deferred tax liabilities		(2,189,411)
Deferred income		(38,541)
		<hr/>
Total identifiable net assets		7,115,036
Less: non-controlling interests		<hr/> —
Net identifiable assets acquired		7,115,036
Goodwill	<i>12</i>	<hr/> 649,175
		<hr/> 7,764,211
Fair value of the convertible bond issued		
– debt component		935,733
– equity component		3,103,678
Effect of settlement of pre-existing lease agreements with New Amuse		<hr/> 3,724,800
Consideration transferred for the business acquired		<hr/> 7,764,211

The values of assets and liabilities recognised on acquisition are their estimated fair values. In determining the fair values of property and equipment, the directors of the Group have referenced the fair value adjustments to valuation reports issued by independent valuers. The fair value of property and equipment located in the PRC is determined by discounting a projected cash flow projections based on financial budgets approved by management covering a 5-year period. These cash flow projections adopted annual sales growth rates ranging from 3% to 30%, which are based on historical experience with the operations of the market. Cash flows beyond the 5-year period are extrapolated using an estimated weighted average sales growth rate of 3%. The cash flows are discounted using discount rate of 14.5%. The discount rates used are pre-taxed and reflect specific risks relating to the respective property and equipment.

5. ACQUISITION OF BUSINESS (Continued)

Acquisition related costs amounting to approximately RMB8,390,000 in aggregate have been excluded from the cost of acquisition and have been recognised as an expense in the year ended 31 December 2020, and included in the “Administrative expenses” line item in profit or loss.

In accordance with IAS 36 “*Impairment of assets*”, at each end of reporting period, the management should perform the impairment test on goodwill by comparing its recoverable amounts to its carrying amount. Goodwill is allocated to cash-generating units (“CGU”) for the purpose of impairment test. The agriculture wholesale markets business which was acquired on 27 July 2015 (the “Dili Business”) and Hada Business were identified as one CGU, with recoverable amount of RMB9,061 million.

In connection with the acquisition by the Group of the operating rights of the agriculture wholesale markets in 2015, New Amuse had previously entered into the framework lease agreement with Yield Smart in respect of the leasing of land and properties in the PRC to facilitate the operation of the seven agriculture wholesale markets by the existing operating subsidiaries of the Company with rent payable to New Amuse annually. The framework lease agreement and all related leases entered into under the framework lease agreement was terminated upon the completion of the Hada Acquisition. Therefore, the PRC landlord entities previously held by New Amuse which hold the land and properties of six agriculture wholesale markets would not receive rental income from the date of acquisition, as a result Hada Acquisition contributed revenue of nil and immaterial loss to the Group’s results for the period from the date of acquisition to 31 December 2020.

If Hada Acquisition had been completed on 1 January 2020, there would be insignificant effect on the Group’s revenue and profit for the year ended 31 December 2020. This is because the rental income received by the PRC landlord entities would be eliminated upon the consolidation of the financial statements of the Group during the year. With the completion of the Hada Acquisition, it can enhance the ability of the Group to conduct future debt-financing activities with land and properties acquired as security and have the potential opportunities in expanding the six markets with future capital expenditure investment.

6. PROFIT BEFORE TAXATION

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

(a) Personnel expenses

	2020	2019
	<i>RMB’000</i>	<i>RMB’000</i>
Wages, salaries and other benefits	422,742	381,639
Contributions to defined contribution retirement plans	6,896	27,257
	<u>429,638</u>	<u>408,896</u>

6. PROFIT BEFORE TAXATION (Continued)**(b) Net finance costs**

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
– Interest income on bank deposits	(7,112)	(9,722)
– Interest income on loans to related parties	(31,397)	(1,756)
– Interest income on loans to third parties	(9,818)	(60,625)
– Gain on disposal of financial assets	(437)	(392)
	<u>(48,764)</u>	<u>(72,495)</u>
Finance costs		
– Interest on bank loans and other borrowings	53,761	32,266
– Interest on lease liabilities	60,989	79,858
– Bank charges and others	1,491	2,204
– Net foreign exchange loss	2,276	2,129
	<u>118,517</u>	<u>116,457</u>
	<u>69,753</u>	<u>43,962</u>

(c) Other items

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation		
– owned property and equipment	145,532	80,530
– right-of-use assets	156,184	204,944
Repairs and maintenance	27,957	31,486
Utility charges	40,763	40,910
Auditors' remuneration	8,520	5,000

7. INCOME TAX

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
Provision for the year	198,455	207,974
Under-provision in respect of prior years	<u>4,550</u>	<u>1,297</u>
	203,005	209,271
Deferred tax		
Reversal and origination of temporary difference	<u>(51,804)</u>	<u>25,724</u>
	<u>151,201</u>	<u>234,995</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% (2019: 25%).
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) No provision for Hong Kong Profits Tax has been made as the Group did not earn any profit subject to Hong Kong Profits Tax during the year.

8. 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 2020 (2019: 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 (2019: Nil).

9. 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 RMB194,207,000 (2019: profit of RMB557,285,000) and the weighted average of 6,574,234,000 ordinary shares (2019: 5,605,196,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020 '000	2019 '000
Issued ordinary shares at 1 January	5,715,593	5,715,593
Effect of shares issued for the conversion of a convertible bond	982,103	–
Effect of shares held for share award scheme	<u>(123,462)</u>	<u>(110,397)</u>
Weighted average number of ordinary shares at 31 December	<u><u>6,574,234</u></u>	<u><u>5,605,196</u></u>

During the years ended 31 December 2020 and 2019, diluted earnings per share is calculated on the same basis as basic earnings per share.

10. PROPERTY AND EQUIPMENT

(a) Reconciliation of carrying amount

		Other properties leased for own use and	Machinery equipment	Office equipment	Vehicles	Under construction	Total	
	<i>Note</i>	Land and buildings RMB'000	leasehold improvements RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Cost								
At 1 January 2019		1,583,114	2,962,283	73,553	77,962	37,260	575	4,734,747
Exchange reserve		-	301	-	361	427	-	1,089
Additions		-	167,753	1,940	5,238	915	277,855	453,701
Disposals		(4,070)	(21,894)	(1,128)	(15,430)	(6,049)	-	(48,571)
Transfer in/(out)		-	-	610	3,440	-	(4,050)	-
		<u>1,579,044</u>	<u>3,108,443</u>	<u>74,975</u>	<u>71,571</u>	<u>32,553</u>	<u>274,380</u>	<u>5,140,966</u>
At 31 December 2019 and 1 January 2020		1,579,044	3,108,443	74,975	71,571	32,553	274,380	5,140,966
Exchange reserve		-	(1,121)	-	(394)	(894)	-	(2,409)
Acquisition of business	5	4,781,780	(270,380)	1,812	9,883	1,481	-	4,524,576
Termination of the favourable term lease agreements		-	(2,335,708)	-	-	-	-	(2,335,708)
Additions		1,983	237,788	424	9,346	3,026	313,486	566,053
Disposals		(3,657)	(13,320)	(6,290)	(6,507)	(239)	-	(30,013)
Transfer in/(out)		-	-	3,853	2,370	-	(6,223)	-
		<u>6,359,150</u>	<u>725,702</u>	<u>74,774</u>	<u>86,269</u>	<u>35,927</u>	<u>581,643</u>	<u>7,863,465</u>
At 31 December 2020		6,359,150	725,702	74,774	86,269	35,927	581,643	7,863,465

10. PROPERTY AND EQUIPMENT (Continued)

(a) Reconciliation of carrying amount (Continued)

	Land and buildings RMB'000	Other properties leased for own use and leasehold improvements RMB'000	Machinery equipment RMB'000	Office equipment RMB'000	Vehicles RMB'000	Under construction RMB'000	Total RMB'000
Accumulated depreciation							
At 1 January 2019	23,500	16,212	13,821	33,265	16,217	-	103,015
Exchange reserve	-	-	-	300	319	-	619
Charge for the year	56,257	204,944	7,430	13,287	3,556	-	285,474
Written back on disposals	(3,867)	(2,114)	(908)	(13,699)	(5,913)	-	(26,501)
At 31 December 2019 and 1 January 2020	75,890	219,042	20,343	33,153	14,179	-	362,607
Exchange reserve	-	(547)	-	(284)	(793)	-	(1,624)
Charge for the year	115,793	161,157	10,443	10,538	3,785	-	301,716
Reclassification	28,411	(28,411)	-	-	-	-	-
Written back on disposals	(222)	(10,737)	(2,589)	(5,093)	(219)	-	(18,860)
Termination of the favourable term lease agreements	-	(228,991)	-	-	-	-	(228,991)
At 31 December 2020	219,872	111,513	28,197	38,314	16,952	-	414,848
Net book value							
At 31 December 2019	1,503,154	2,889,401	54,632	38,418	18,374	274,380	4,778,359
At 31 December 2020	6,139,278	614,189	46,577	47,955	18,975	581,643	7,448,617

10. PROPERTY AND EQUIPMENT (Continued)

(b) Right-of-use assets

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

		2020	2019
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Other properties leased for own use, carried at depreciated cost	<i>(i)</i>	495,262	2,531,340

(i) Other properties leased for own use

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

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

		2020	2019
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Depreciation charge of right-of-use assets by class of underlying asset:			
Leased agriculture wholesale markets		133,936	189,946
Leased offices		22,248	14,998
	<i>6(c)</i>	156,184	204,944
Interest on lease liabilities	<i>6(b)</i>	60,989	79,858
Expenses relating to short-term leases and other leases with remaining lease term ending on or before 31 December		7,504	8,933

During the year, additions to right-of-use assets were RMB237,788,000 which primarily related to the capitalised lease payments payable under new tenancy agreements and construction in relation to leasehold improvements.

11. INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	<i>Note</i>	Ownership interests in land and buildings RMB'000	Other properties leased RMB'000	Total RMB'000
At fair value:				
At 1 January 2019		446,500	4,055,600	4,502,100
Additions		7,643	15,735	23,378
Fair value adjustment		<u>58,857</u>	<u>184,565</u>	<u>243,422</u>
At 31 December 2019 and 1 January 2020		513,000	4,255,900	4,768,900
Acquisition of business	5	6,147,100	–	6,147,100
Termination of the favourable term lease agreements		–	(4,122,500)	(4,122,500)
Additions		8,076	1,205	9,281
Fair value adjustment		<u>61,124</u>	<u>(134,605)</u>	<u>(73,481)</u>
At 31 December 2020		<u><u>6,729,300</u></u>	<u><u>–</u></u>	<u><u>6,729,300</u></u>

Note:

All the investment properties owned by the Group are located in the PRC.

At 31 December 2020, certain of investment properties were pledged as securities for bank loans of the Group amounting to RMB1,334,380,000 and bank loans of third parties amounting to RMB1,159,700,000.

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

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

	2020 RMB'000	2019 RMB'000
Less than one year	97,745	77,022
Between one and five years	48,363	87,297
More than five years	<u>16,238</u>	<u>17,282</u>
	<u><u>162,346</u></u>	<u><u>181,601</u></u>

11. INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties

(i) Fair value hierarchy

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

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

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

Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements categorised into Level 3	
	2020	2019
	RMB'000	RMB'000
Recurring fair value measurement		
Investment properties:		
– PRC	<u>6,729,300</u>	<u>4,768,900</u>

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

All investment properties of the Group were revalued at 31 December 2020. The valuations were carried out by an independent firm of surveyors, Norton Appraisals Limited, who has among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The management of the Group have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting period.

11. INVESTMENT PROPERTIES (Continued)

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

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Ownership interests in land and buildings – PRC	Discounted cash flow	Risk-adjusted discount rate	12%
		Expected market rental growth	3%
Other properties leased – PRC	Discounted cash flow	Risk-adjusted discount rate	16.5%
		Expected market rental growth	3%

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

Fair value adjustment of investment properties is recognized in the item “valuation gains/losses on investment properties” on the face of the consolidated statement of profit or loss.

All gains/losses is recognized in profit or loss for the year arose from the investment properties held at the end of reporting period.

12. GOODWILL

		Dili and Hada Business	Hangzhou Business	Total
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:				
At 1 January 2019 and 31 December 2019		1,519,330	708,146	2,227,476
Acquisition of business	5	<u>649,175</u>	<u>–</u>	<u>649,175</u>
At 31 December 2020		<u>2,168,505</u>	<u>708,146</u>	<u>2,876,651</u>
Accumulated impairment losses:				
At 1 January 2019, 31 December 2019 and 31 December 2020		<u>(1,132,950)</u>	<u>–</u>	<u>(1,132,950)</u>
Carrying amount:				
At 31 December 2019		<u>386,380</u>	<u>708,146</u>	<u>1,094,526</u>
At 31 December 2020		<u>1,035,555</u>	<u>708,146</u>	<u>1,743,701</u>

At 31 December 2020, goodwill, which arose from the acquisition of Dili Business which was completed on 27 July 2015, the acquisition of Hangzhou markets which was completed on 24 July 2018 (the “Hangzhou Business”) and the acquisition of Hada Business which was completed on 21 August 2020, amounted to RMB386,380,000, RMB708,146,000 and RMB649,175,000, respectively. Dili Business and Hada Business are identified as one CGU, and Hangzhou Business is identified as another separate CGU, the recoverable amounts of which are determined based on value-in-use calculations. A longer period of the forecasts used was because agriculture wholesale markets operate stably and could be projected based on management’s best estimation.

12. GOODWILL (Continued)

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

	Dili and Hada Business		Hangzhou Business	
	2020	2019	2020	2019
Annual revenue growth rate forecast	3%–30%	0%–15%	3%–7%	3%–7%
Perpetual growth rate	3.0%	2.50%	2.50%	2.50%
Pre-tax discount rate	18.20%	15.44%	11.10%	11.10%

Management determined the annual revenue growth rate forecast based on past performance and its expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs. There are no significant change for the key assumptions applied in the value-in-use calculations in 2019 and 2020.

Based on the cash flow forecast prepared by the Group as at 31 December 2020, the recoverable amount of all the CGUs exceeds their carrying amount as at 31 December 2020. Management has not identified any reasonably possible change in the key assumptions that would cause the recoverable amount to fall below the carrying amount of the respective CGUs. If the recoverable amount of the Dili and Hada Business CGU and Hangzhou Business CGU had been reduced by RMB250 million and RMB667 million respectively, any further reduction would result in an impairment loss to the respective CGUs.

13. OTHER ASSETS

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Financial assets measured at fair value through profit or loss (“FVPL”)			
– Investment in Dili Fresh	<i>(i)</i>	314,397	531,274
– Derivative financial instrument embedded in investment in Dili Fresh	<i>(i)</i>	665,052	392,564
Sub-total		979,449	923,838
Lease incentive	<i>(ii)</i>	16,501	6,101
		995,950	929,939
Representing:			
– Non-current		981,152	927,677
– Current		14,798	2,262
		995,950	929,939

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

On 31 October 2019, Yield Smart has acquired 19% of the entire issued share capital of Million Master Investment Limited (the “Million Master”) (the “Target Shares”), a company incorporated in the BVI (the “Dili Fresh Acquisition”). Million Master and its subsidiaries (collectively the “Dili Fresh”) operates through its PRC subsidiaries, the businesses of agricultural produce supermarket chain, fresh food chain and supply chain and logistics management in the PRC under the brand name of “Dili Fresh”.

The above acquisition was completed as all the conditions had been fulfilled or waived on 31 October 2019. Million Master is held as to 19% by the Group and 81% by the Plenty Business Holdings Limited (“Plenty Business”), a company wholly owned by Mr. Dai Yongge, the controlling shareholder of the Company, respectively.

13. OTHER ASSETS (Continued)

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

Pursuant to the acquisition agreement, Plenty Business has granted Yield Smart with a call option under some conditions, under which Yield Smart has the right (but no obligation) to acquire from Plenty Business the remaining shares, being 81% of the entire issued share capital of the Million Master, at an exercise price to be agreed at the time of exercise, within the period commencing from 1 January 2021 and ending on 31 December 2023 (both days inclusive) (the “Call Option”).

Plenty Business has also granted Yield Smart with a put option pursuant to the acquisition agreement under some conditions, under which Yield Smart has the right (but no obligation) to sell back the Target Shares to Plenty Business and Plenty Business has the obligation to purchase the Target Shares within the period commencing from 1 January 2023 and ending on 31 December 2023 (both days inclusive) at a consideration of the sum of (i) the total purchase price of the Target Shares of RMB950 million and (ii) an amount representing an interest rate of 6% per annum on the total purchase price (the “Put Option”). Mr. Dai Yongge, a controlling shareholder of the Company, has given a personal guarantee in favour of Yield Smart for the due performance by Plenty Business of its obligations under the Put Option. Yield Smart may exercise either the Call Option or the Put Option but not both.

13. OTHER ASSETS (Continued)

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

The movements during the year of these financial assets measured at FVPL are as follows:

	Investment in Dili Fresh	Put Option	Call Option	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At fair value:				
At 1 January 2019	–	–	–	–
Purchase of financial assets measured at FVPL	572,600	371,727	–	944,327
Net unrealised (loss)/gain on financial assets measured at FVPL	<u>(41,326)</u>	<u>20,837</u>	<u>–</u>	<u>(20,489)</u>
At 31 December 2019 and 1 January 2020	531,274	392,564	–	923,838
Net unrealised (loss)/gain on financial assets measured at FVPL	<u>(216,877)</u>	<u>272,488</u>	<u>–</u>	<u>55,611</u>
At 31 December 2020	<u>314,397</u>	<u>665,052</u>	<u>–</u>	<u>979,449</u>

(ii) Lease incentive

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

14. OTHER RECEIVABLES

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Amounts due from related parties	<i>(i)</i>	700,937	236,804
Loans to third parties		–	460,006
Receivable for disposal of property and equipment	<i>(ii)</i>	52,764	179,751
Amounts due from a third party	<i>(iii)</i>	23,681	31,946
Deposits	<i>(iv)</i>	200,000	225,000
Other debtors		70,600	28,513
		<hr/>	<hr/>
Financial assets measured at amortised cost		1,047,982	1,162,020
Less: impairment loss on other receivables		15,830	–
		<hr/>	<hr/>
		1,032,152	1,162,020
Prepayments		177,403	42,408
		<hr/>	<hr/>
Total		1,209,555	1,204,428
		<hr/> <hr/>	<hr/> <hr/>
Representing:			
– Non-current		509,158	255,460
– Current		700,397	948,968
		<hr/>	<hr/>
		1,209,555	1,204,428
		<hr/> <hr/>	<hr/> <hr/>

(i) Amounts due from related parties

Yield Smart and Plenty Business entered into an acquisition agreement for the sale and purchase of 19% of the entire issued share capital of Million Master on 29 August 2019 with details as disclosed in Note 13.

In line with the acquisition, Harbin Dili Agricultural Produce and Side Products Co., Ltd., a wholly-owned subsidiary of Yield Smart, as lender, and Harbin Dili Fresh Agricultural Produce Enterprise Management Company Limited (“Harbin Dili Fresh”), a wholly-owned subsidiary of Million Master, as borrower, signed a revolving loan agreement with the principal amount of not exceeding RMB2 billion, secured by way of a share charge and guarantee from each of Plenty Business and Mr. Dai Yongge in favour of Yield Smart on 29 August 2019. As at 31 December 2020, the loans under the revolving loan agreement was RMB680,000,000 which bear interest rate of 6% per annum with maturity dates from November 2021 to August 2022 to Harbin Dili Fresh.

(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 15 December 2020 and subject to a fixed interest rate of 1% per annum. RMB8,416,400 of the receivable had been settled as at the date of issuance of this announcement.

(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. As at 31 December 2020, RMB3,181,000, RMB6,840,000 and RMB13,660,000 of the receivables will be repaid on demand, before 31 December 2021 and before 31 December 2023 respectively.

(iv) Deposits

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

15. OTHER PAYABLES

	Note	2020 RMB'000	2019 RMB'000
Construction payables		154,772	96,232
Amounts due to related parties		–	12,614
Salary and welfare expenses payable		128,861	94,113
Professional service fee payables		6,981	7,373
Deposits	(i)	354,962	368,721
Others		168,236	46,553
		<u>813,812</u>	<u>625,606</u>
Financial liabilities measured at amortised cost		813,812	625,606
Other taxes payable		30,774	8,543
Receipt-in-advance		201,974	226,132
		<u>1,046,560</u>	<u>860,281</u>

(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 deposits mentioned in (i), are expected to be settled or recognised as income within one year or are payable on demand.

16. LEASE LIABILITIES

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

	2020	2019
	Present	Present
	value of the	value of the
	minimum	minimum
	lease	lease
	payments	payments
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	52,957	125,617
After 1 year but within 2 years	45,897	137,150
After 2 years but within 5 years	98,037	359,863
After 5 years	315,847	950,024
	459,781	1,447,037
	512,738	1,572,654

17. SHARE CAPITAL

	Number of shares		Amount	
	At 31 December 2020 '000	At 31 December 2019 '000	At 31 December 2020 RMB'000	At 31 December 2019 RMB'000
Authorised:				
At beginning of year				
Ordinary shares of HKD0.01 each	–	150,000,000		
Ordinary shares of HKD0.10 each	15,000,000	–		
Share Consolidation (i)	–	(135,000,000)		
At end of year				
Ordinary shares of HKD0.10 each	15,000,000	15,000,000		
Issued and fully paid:				
At beginning of year				
Ordinary shares of HKD0.01 each	–	57,155,930	–	478,794
Ordinary shares of HKD0.10 each	5,715,593	–	478,794	–
Share Consolidation (i)	–	(51,440,337)	–	–
Conversion of a convertible bond (ii)	2,702,630	–	240,985	–
At end of year				
Ordinary shares of HKD0.10 each	8,418,223	5,715,593	719,779	478,794

(i) Share Consolidation

Pursuant to the ordinary resolution passed by the shareholders at the extraordinary general meeting of the Company held on 24 May 2019, every ten issued and unissued shares of HKD0.01 each in the share capital of the Company were consolidated into one consolidated share of HKD0.10 each (the “Share Consolidation”). Upon the Share Consolidation becoming effective on 27 May 2019, the authorised share capital of the Company became HKD1,500,000,000 divided into 15,000,000,000 consolidated shares of HKD0.10 each, of which 5,715,593,000 consolidated shares (which are fully paid or credited as fully paid) were in issue immediately.

(ii) Conversion of a convertible bond

On the same date of the completion of the Hada Acquisition, 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, 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.

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	187,081
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		<u><u>1,682,914</u></u>

BUSINESS REVIEW (Continued)

Hada Acquisition

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

The Hada Acquisition was approved by the independent shareholders on 24 June 2020 and completion had taken place on 21 August 2020. Pursuant to the completion of the Hada Acquisition, the convertible bond of the principal amount of HK\$4,405,286,344 (equivalent to RMB4 billion) for the settlement of the consideration was issued in favour of New Amuse Limited (“New Amuse”), a connected person of the Company and also the holding company which owns the target entities of the Hada Acquisition. On the same day, New Amuse fully exercised the conversion rights of the convertible bond. As a result, a total of 2,702,629,658 shares have been allotted and issued to New Amuse by the Company.

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

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

BUSINESS REVIEW (Continued)

Dili Fresh Acquisition

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

Supply Chain Business with Dili Fresh

On 11 September 2020, the Company and Dili Fresh entered into a framework agreement (the “Framework Agreement”), pursuant to which the Group agreed to sell and supply to Dili Fresh, and the Dili Fresh agreed to purchase from the Group, various agricultural produce and food products, including but not limited to vegetables, fresh and dried fruits, meat, tea leaves, food snacks, grain and oil and other food produce. The agricultural produce and food products supplied by the Group under the Framework Agreement are for sale by the Dili Fresh across the PRC to local consumers. Under the terms of the Framework Agreement, Dili Fresh agrees to grant a right of first refusal to the Group for the supply of up to 90% of its annual procurement amount of agricultural produce and food products for satisfying the demand of its retail network over the PRC.

It is expected that the Group can further expand the scale of operation of its existing supply chain and logistics management business through supplying to Dili Fresh as well as independent third-party customers. In addition, through the role as a supplier to Dili Fresh, the Group can connect the upstream traders and wholesalers with its downstream customer, Dili Fresh, to generate a reliable source of demand for agricultural produce and food products of the traders and wholesalers and by doing so, enhance loyalty of these upstream customers of the Group. Details of the transactions in respect of the Framework Agreement for the supply of agricultural produce and food product were set out in the circular of the Company dated 30 October 2020.

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 vegetables.

For the year ended 31 December 2020, the Group recorded a consolidated revenue of approximately RMB1,450.1 million (2019: RMB1,421.0 million), representing an increase of about 2.0% when compared with that of last year. The commission income decreased by 7.3% to RMB936.4 million this year as compared to RMB1,009.9 million last year while the lease income increased by 5.2% to RMB432.4 million this year as compared to RMB411.1 million last year. The Group has started to record a revenue from supply chain business during the year of approximately RMB81.3 million.

The Group experienced challenging business operation conditions with the impact of coronavirus (“COVID-19”) pandemic, lockdowns and social distancing measures which resulted in temporary closures or shorten the operation hours of our agriculture wholesale markets. Hence, the transaction volumes decreased and commission income dropped accordingly. On the other hand, the lease income rose slightly by 5.2%.

	2020	2019	Change	Change
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	%
Commission income	936.4	1,009.9	(73.5)	(7.3)
Lease income	432.4	411.1	21.3	5.2
Sales of agricultural products	81.3	–	81.3	100
Total	<u>1,450.1</u>	<u>1,421.0</u>	<u>29.1</u>	2.0

FINANCIAL REVIEW (Continued)

Revenue (Continued)

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

	<i>Note</i>	2020 <i>RMB'million</i>	2019 <i>RMB'million</i>	Change <i>RMB'million</i>	Change %
Hangzhou Fruit-products Market	(i)	146.6	167.2	(20.6)	(12.3)
Hangzhou Vegetable Market		151.7	146.6	5.1	3.5
Hangzhou Seafood Market		79.8	72.2	7.6	10.5
Shenyang Market	(ii)	352.0	339.9	12.1	3.6
Guiyang Market	(i)	143.0	158.6	(15.6)	(9.8)
Harbin Hada Market	(i)	231.4	275.4	(44.0)	(16.0)
Qiqihar Hada Market		47.9	47.8	0.1	0.2
Muda Market		37.1	41.9	(4.8)	(11.5)
Harbin Youyi Market		24.2	25.0	(0.8)	(3.2)
Shouguang Market		155.1	146.4	8.7	5.9
Total		<u>1,368.8</u>	<u>1,421.0</u>	<u>(52.2)</u>	3.7

Notes:

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

Other income

Other income mainly comprised market service fee income of RMB146.9 million (2019: RMB151.2 million). The decrease in market service fee income was in line with the drop of the revenue from the commission income and lease income.

Administrative expenses

Administrative expenses mainly comprised staff cost, depreciation and donations. The increase was mainly due to the donations made by the Group to Wuhan amounted to RMB16.2 million to assist the families that have difficulties in the epidemic as well as to boost public hygiene for epidemic prevention.

Operating expenses

Operating expenses mainly comprised operating staff cost, depreciation and utility charges in 2020.

FINANCIAL REVIEW (Continued)

Finance income

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

Finance costs

Finance cost mainly represented interest on lease liabilities and bank loans. The interest on lease liabilities amounted to RMB61.0 million for the year ended 31 December 2020 (2019: RMB79.9 million).

Liquidity and Financial Resources

As at 31 December 2020, the net current liabilities of the Group amounted to approximately RMB967.3 million (2019: net current assets of RMB393.1 million). The current ratio, expressed as current assets over current liabilities, was approximately 0.63 (2019: approximately 1.31).

Despite the fact that the Group had net current liabilities of approximately RMB967.3 million as at 31 December 2020, the consolidated financial statements of the Company for the year ended 31 December 2020 have been prepared on the basis that the Group will continue to operate as a going concern. The Directors are of the opinion that the Group is able to continue as a going concern and to meet in full their financial obligations as (i) the extension of the maturity date of short-term interest-bearing bank borrowings of RMB997.0 million as agreed with the bank; and (ii) the proceeds from the subscription of new shares under general mandate amounting to approximately RMB665.4 million was received in February 2021.

The Group still has 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 2020 are repayable as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,415,555	173,500
After one year but within two years	131,600	142,680
After two years but within five years	173,500	141,000
After five years	–	16,000
	<u>1,720,655</u>	<u>473,180</u>

There was no material effect of seasonality on the Group's borrowing requirement. As at 31 December 2020, all the bank loans are denominated in RMB.

FINANCIAL REVIEW (Continued)

Capital Structure and Treasury Policy

Convertible Bond

On 21 August 2020, a convertible bond of HKD4,405,286,344 (equivalent to RMB4 billion) had been issued to New Amuse by the Company pursuant to an acquisition agreement and a deed of amendment entered into on 5 June 2018 and 27 April 2020 respectively as the full settlement of consideration for the acquisition of land and properties of six agriculture wholesale markets in the PRC by the Group. The completion of such acquisition took place on 21 August 2020.

On the same day, New Amuse fully exercised the conversion rights of the convertible bond. As a result, a total of 2,702,629,658 shares of the Company had been immediately allotted and issued to New Amuse by the Company. Details of which are set out in the circular of the Company dated 29 May 2020.

Share Subscription

On 25 December 2020, the Company and the subscriber entered into 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 HK\$1.67 per subscription share. 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 (stock code: 9618).

The gross proceeds and the estimated net proceeds (after deduction of the relevant expenses and fees) from the Subscription will be HK\$798,372,000 and approximately HK\$796,572,000, respectively. The Company intends 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 HK\$1.67 per subscription share in accordance with the terms and conditions of the Subscription Agreement.

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

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 is expected to be utilised on or before 31 December 2021. The amount used during the year ended 31 December 2020 and the residual balance to be used as at 31 December 2020 are as follows:

Proposed use of proceeds	Residual balance as at 1 January 2020 <i>HKD' million</i>	Used during the year <i>HKD' million</i>	Residual balance to be used as at 31 December 2020 <i>HKD' million</i>
(i) For enlarging the trading hall and rental area of the markets	160	(93)	67
(ii) For upgrading infrastructure facilities of the markets	100	(39)	61
(iii) For developing and installing information software and data collection and analysis systems in the markets	61	(1)	60
	<u>321</u>	<u>(133)</u>	<u>188</u>

Charges on Assets

As at 31 December 2020, certain property and equipment and investment properties which had an aggregate carrying value of RMB1,270.1 million (2019: RMB1,195.9 million) were pledged as securities for bank loans.

Capital Commitment

As at 31 December 2020, the future capital expenditure for which the Group had contracted but not provided for amounted to approximately RMB113.9 million (2019: RMB49.7 million).

Contingent Liabilities

As at 31 December 2020, the Group provided financial guarantees to banks in respect of banking facilities granted to related parties amounted to RMB290.0 million (2019: Nil), of which RMB165.0 million has been utilised by the related parties.

FINANCIAL REVIEW (Continued)

Gearing Ratio

The gearing ratio as at 31 December 2020, which was calculated by dividing the total interest-bearing borrowings and lease liabilities by total assets, was 11.68% (2019: 15.15%).

Human Resources

As at 31 December 2020, the Group employed 2,512 staff (as at 31 December 2019: 2,408 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 2020 was approximately RMB422.7 million as compared with RMB381.6 million for the year ended 31 December 2019. We have established a training program that aims to support and encourage members of our management team to continue improving their management skills and develop their careers, including arranging for seminars. We provide orientation training as well as on-the-job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development. Employees in Hong Kong participate in Mandatory Provident Fund Scheme while employees in the PRC also participate in similar scheme.

Dividend

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2020 (2019: Nil).

PROSPECTS

In the past few years, the markets believe the next “Blue Ocean” in China is the fresh food distribution sector. We saw many new players and investors, including new start-up companies as well as e-commerce giants, all rushing into this industry aggressively with the hope to take the first advantage of this next “Blue Ocean”.

We share the same view. Two years ago, we started the implementation of our business transformation strategies. Our long-term goal is to build a “Production – Distribution/ Wholesale – Retail” all-in-one fresh food distribution platform. We still believe this “all-in-one” strategy will enable us to become a distinct leader in the fresh food distribution sector.

PROSPECTS (Continued)

Our core strengths lie in the “distribution/wholesale” segment. Over the past 2 years, we have invested and successfully upgraded our existing wholesale markets with a digital platform, which not only enhance the efficiency of the wholesale markets but also enable us to provide a more diversified supply chain services to our customers. The business cooperation with JD.com, Inc. which just started earlier this year empowered the Group with new capabilities. Joint ventures have been set up subsequently with intention to share the resources and expertise of both parties, in order to provide highly efficient supply chain services to the downstream fresh food retailers.

In respect of the “retail” segment, we completed the acquisition of 19% equity interest in “Dili Fresh”, the downstream fresh food retail business, in the second-half of 2019. We believe our core strengths lie in the mid-stream “distribution/wholesale” segment. This together with the new capabilities through the two new joint ventures, provide us with unbeatable advantages in operating the down stream retail business. On this front, we will keep exploring further into other new innovative business model like fresh food delivery etc.

Our team consists of a mix of old members who have vast experience and expertise as well as newly attracted young talents with passions. Each of them is dedicated and committed. We are confident that we are on the right track to achieve our long-term goal, to become a distinct leader in the fresh food distribution industry.

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.

SHARE AWARD SCHEME (Continued)

Up to 31 December 2020, the Trustee had purchased a total of 123,796,200 existing shares of the Company from the market with a total cost of approximately RMB285.7 million. During the 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 2020.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"). The primary duty of the audit committee is to review and supervise the financial reporting process, risk management and internal control systems of the Group. The audit committee is comprised of two independent non-executive directors and a non-executive director. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions in the CG Code throughout the year ended 31 December 2020.

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 2020.

On behalf of the Board
China Dili Group
Wang Yan
Chairman

Hong Kong, 30 March 2021

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 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.