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中国地利集团 China Dili Group

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1387)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue	727,418	689,299
Profit for the period	164,613	142,007
Profit attributable to equity shareholders of the Company	158,548	137,184
Basic and diluted earnings per share (<i>RMB cents</i>)	1.83	2.45

The board of directors (the “Board”) of China Dili Group (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021, together with the appropriate comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 — unaudited

		Six months ended 30 June	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
Revenue	5	727,418	689,299
Other income		79,376	80,505
Cost of goods sold		(21,625)	–
Operating expenses		(167,363)	(135,188)
Impairment losses on other receivables		(32,544)	–
Administrative expenses		(317,912)	(304,614)
Profit from operations		267,350	330,002
Net unrealised gains on financial assets measured at fair value through profit or loss		48,672	73,162
Net valuation losses on investment properties		(38,429)	(179,863)
Net finance costs	6(b)	(51,839)	(30,412)
Profit before taxation	6	225,754	192,889
Income tax	7	(61,141)	(50,882)
Profit for the period		164,613	142,007
Attributable to:			
Equity shareholders of the Company		158,548	137,184
Non-controlling interests		6,065	4,823
Profit for the period		164,613	142,007
Basic and diluted earnings per share (RMB cents)	9	1.83	2.45

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

For the six months ended 30 June 2021 — unaudited

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	164,613	142,007
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company and certain overseas subsidiaries	<u>24,615</u>	<u>4,653</u>
Total comprehensive income for the period	<u>189,228</u>	<u>146,660</u>
Attributable to:		
Equity shareholders of the Company	183,163	141,837
Non-controlling interests	<u>6,065</u>	<u>4,823</u>
Total comprehensive income for the period	<u>189,228</u>	<u>146,660</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 — unaudited

		At 30 June 2021	At 31 December 2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property and equipment	<i>10</i>	7,326,174	7,448,617
Investment properties		6,696,600	6,729,300
Intangible assets		11,949	11,867
Goodwill		1,743,701	1,743,701
Interest in an associate		49,000	—
Other assets		1,028,179	981,152
Other receivables	<i>11</i>	93,660	509,158
Deferred tax assets		14,683	13,209
		<hr/>	<hr/>
Total non-current assets		16,963,946	17,437,004
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		70,131	52,532
Other receivables	<i>11</i>	1,354,770	700,397
Other assets		59,639	14,798
Cash and cash equivalents		1,147,389	914,653
		<hr/>	<hr/>
Total current assets		2,631,929	1,682,380
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Interest-bearing borrowings		370,780	1,415,555
Other payables	<i>12</i>	835,219	1,046,560
Lease liabilities		46,150	52,957
Taxation		93,123	134,607
		<hr/>	<hr/>
Total current liabilities		1,345,272	2,649,679
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net current assets/(liabilities)		1,286,657	(967,299)
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Total assets less current liabilities		18,250,603	16,469,705
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2021 — unaudited

	<i>Note</i>	At 30 June 2021 RMB'000	At December 2020 RMB'000
Non-current liabilities			
Interest-bearing borrowings		1,247,300	305,100
Lease liabilities		446,899	459,781
Deferred tax liabilities		2,551,494	2,561,021
Deferred income		37,380	39,053
		4,283,073	3,364,955
Total non-current liabilities		4,283,073	3,364,955
Net assets		13,967,530	13,104,750
Capital and reserves			
Share capital	13	759,624	719,779
Reserves		12,901,754	12,093,033
		13,661,378	12,812,812
Total equity attributable to equity shareholders of the Company		13,661,378	12,812,812
Non-controlling interests		306,152	291,938
Total equity		13,967,530	13,104,750

NOTES:

1. INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2021 are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board will be included in the interim report to be sent to shareholders of the Company.

2. BASIS OF PREPARATION

The interim financial report of the Group has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 26 August 2021.

3. PRINCIPAL ACCOUNTING POLICIES

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 4.

4. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB to this interim financial report for the current accounting period:

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

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

5. REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Commission income	485,036	478,123
Sales of agricultural products	27,783	–
Revenue from other sources		
Rental income	214,599	211,176
	<u>727,418</u>	<u>689,299</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is set out below:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Disaggregated by timing of revenue recognition		
Point in time	512,819	478,123
Over time	214,599	211,176
	<u>727,418</u>	<u>689,299</u>
Revenue from external customers	<u>727,418</u>	<u>689,299</u>

(b) Segment reporting

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

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

6. PROFIT BEFORE TAXATION

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

(a) Personnel expenses

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Wages, salaries and other benefits	181,848	156,906
Contributions to defined contribution retirement plans	14,513	4,233
	<u>196,361</u>	<u>161,139</u>

(b) Net finance costs

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	6,210	2,067
– Interest income on loans to related parties	19,353	12,887
– Interest income on loans to third parties	1,160	8,581
– Net foreign exchange gain	–	556
– Gain on disposal of financial assets	–	234
	<u>26,723</u>	<u>24,325</u>
Finance costs		
– Interest on interest-bearing borrowings	(40,720)	(15,027)
– Interest on lease liabilities	(12,009)	(38,922)
– Bank charges and others	(847)	(788)
– Net foreign exchange loss	(24,986)	–
	<u>(78,562)</u>	<u>(54,737)</u>
	<u>(51,839)</u>	<u>(30,412)</u>

6. PROFIT BEFORE TAXATION (Continued)

(c) Other items

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Depreciation		
– owned property and equipment	103,874	49,968
– right-of-use assets	34,109	99,023
Repairs and maintenance	14,177	12,167
Utility charges	25,958	23,903
	<u>178,118</u>	<u>185,061</u>

7. INCOME TAX

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax		
Provision for the period	69,181	103,270
Under-provision in respect of prior years	2,961	2,678
	<u>72,142</u>	<u>105,948</u>
Deferred tax		
Reversal and origination of temporary differences	(11,001)	(55,066)
	<u>61,141</u>	<u>50,882</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%.
- (ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) No provision for Hong Kong Profits Tax has been made as the Group did not earn any profit subject to Hong Kong Profits Tax during the period.

8. DIVIDENDS

The Board resolved that there was no interim dividend declared attributable to the six months ended 30 June 2021 (six months ended 30 June 2020: 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 RMB158,548,000 (six months ended 30 June 2020: profit of RMB137,184,000) and the weighted average of 8,682,691,000 ordinary shares (six months ended 30 June 2020: 5,592,470,000 ordinary shares) in issue during the six months ended 30 June 2021.

During the six months ended 30 June 2021 and 2020, diluted earnings per share is calculated on the same basis as basic earnings per share.

10. PROPERTY AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2021, the Group entered into a lease agreement for use of offices, and therefore recognised the additions to right-of-use assets of RMB3,363,000.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2021, the Group acquired other property and equipment with a cost of RMB21,879,000 (six months ended 30 June 2020: RMB310,171,000). Other property and equipment with a net book value of RMB1,790,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB108,000), resulting in a loss on disposal of RMB1,037,000 (six months ended 30 June 2020: loss of RMB12,000).

11. OTHER RECEIVABLES

		At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Amounts due from related parties	(i)	892,292	700,937
Receivables from disposal of property and equipment	(ii)	44,041	52,764
Amounts due from a third party	(iii)	22,981	23,681
Deposits	(iv)	200,000	200,000
Other debtors	(v)	179,912	70,600
		<hr/>	<hr/>
Financial assets measured at amortised cost		1,339,226	1,047,982
Less: impairment losses on other receivables		48,193	15,830
		<hr/>	<hr/>
		1,291,033	1,032,152
Prepayments		157,397	177,403
		<hr/>	<hr/>
Total		1,448,430	1,209,555
		<hr/> <hr/>	<hr/> <hr/>
Representing:			
– Non-current		93,660	509,158
– Current		1,354,770	700,397
		<hr/>	<hr/>
		1,448,430	1,209,555
		<hr/> <hr/>	<hr/> <hr/>

(i) Amounts due from related parties

Amounts due from related parties represent the loans to Dili Fresh of RMB870,000,000 and the related interest as at 30 June 2021 (as at 31 December 2020: RMB680,000,000). The amounts are unsecured, interest bearing at 6% per annum with maturity dates from November 2021 to August 2022.

(ii) Receivables from disposal of property and equipment

Receivables from disposal of property and equipment are due from a third party, which are 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. At 27 January 2021, RMB8,723,000 was settled. According to the settlement agreement signed on 18 March 2021, the maturity date of the remaining receivable is extended to 31 July 2021, amounting to RMB44,041,000.

(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 30 June 2021, RMB2,481,000, 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 which are unsecured and non-interest bearing.

(v) Other debtors

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

12. OTHER PAYABLES

		At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
	<i>Note</i>		
Construction payables		179,193	154,772
Salary and welfare expenses payable		38,612	128,861
Professional service fee payables		3,051	6,981
Deposits	(i)	326,241	354,962
Others		90,272	168,236
		<hr/>	<hr/>
Financial liabilities measured at amortised cost		637,369	813,812
Other taxes payable		17,656	30,774
Receipt-in-advance		180,194	201,974
		<hr/>	<hr/>
		835,219	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.

13. SHARE CAPITAL

	Number of shares		Amount	
	At	At	At	At
	30 June 2021 '000	31 December 2020 '000	30 June 2021 RMB'000	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 period/year				
Ordinary shares of HKD0.10 each	8,418,223	5,715,593	719,779	478,794
Conversion of a convertible bond	–	2,702,630	–	240,985
Issuance of shares (i)	<u>478,067</u>	<u>–</u>	<u>39,845</u>	<u>–</u>
At end of period/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) Issuance of shares

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group operated 10 agriculture wholesale markets in 7 cities in the PRC during the period under review.

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		<hr/> <hr/> 1,682,914

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 was RMB950 million. As at 30 June 2021, the fair value of the investment in Dili Fresh and the derivative financial instruments embedded in investment in Dili Fresh was RMB1,027.3 million. The net unrealised gain on the investment was RMB47.9 million during the six months ended 30 June 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.

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 fruits.

For the six months ended 30 June 2021, the Group recorded a consolidated revenue of approximately RMB727.4 million (six months ended 30 June 2020: RMB689.3 million), representing an increase of 5.5% when compared with that of last corresponding period. The commission income increased by 1.4% to RMB485.0 million in this period as compared to RMB478.1 million in last corresponding period while the lease income also increased by 1.6% to RMB214.6 million in this period as compared to RMB211.2 million in last corresponding period. The Group has started to record a revenue from supply chain business during the second half of 2020. For the six months ended 30 June 2021, sales of agricultural products was amounted to RMB27.8 million.

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 the first half, the transaction volumes increased and commission income slightly increased accordingly. The lease income also rose slightly by 1.6%. In addition, the Group actively adjusted the business measures in light of market changes, broadened business models to effectively respond to the pandemic and achieve sustainable development by starting the business of sales of agricultural products.

	Six months ended 30 June			
	2021	2020	Change	Change
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>%</i>
Commission income	485.0	478.1	6.9	1.4
Lease income	214.6	211.2	3.4	1.6
Sales of agricultural products	27.8	–	27.8	100
Total	<u>727.4</u>	<u>689.3</u>	<u>38.1</u>	5.5

FINANCIAL REVIEW (Continued)

Revenue (Continued)

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

	Note	Six months ended 30 June		Change RMB'million	Change %
		2021 RMB'million	2020 RMB'million		
Hangzhou Fruit-products Market	(i)	79.6	72.4	7.2	9.8
Hangzhou Vegetable Market	(ii)	71.1	68.9	2.2	3.3
Hangzhou Seafood Market		38.4	38.6	(0.2)	(0.3)
Shenyang Market		181.1	183.1	(2.0)	(1.1)
Guiyang Market	(ii)	74.4	67.5	6.9	10.2
Harbin Hada Market	(iii)	114.2	120.9	(6.7)	(5.6)
Qiqihar Hada Market		26.5	24.7	1.8	7.3
Muda Market		20.5	20.6	(0.1)	(0.5)
Harbin Youyi Market	(iii)	9.8	11.7	(1.9)	(16.1)
Shouguang Market	(ii)	84.0	80.9	3.1	3.9
Total		<u>699.6</u>	<u>689.3</u>	<u>10.3</u>	1.5

Notes:

- (i) The rise in revenue was due to increase in leased areas and the occupancy rate.
- (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 which had been deeply hit when some of the imported fruits were contaminated by COVID-19 virus in Harbin markets.

Other income

Other income mainly comprised market service fee income of RMB74.9 million (six months ended 30 June 2020: RMB73.5 million). The increase in market service fee income was in line with the increase in revenue from the commission income and lease income.

Operating expenses

Operating expenses mainly comprised operating staff cost, depreciation and utility charges. The increase was mainly due to the increase in operating staff cost as a result of the increase in head count for new business development and there was no government concession on contribution of social insurance funds in the current period.

FINANCIAL REVIEW (Continued)

Administrative expenses

Administrative expenses mainly comprised staff cost and depreciation.

Finance income

Finance income mainly represented the interest income earned from loans to related parties.

Finance costs

Finance cost mainly represented interest on interest-bearing borrowings and lease liabilities. For the six months ended 30 June 2021, the finance cost increased by 43.5% to RMB78.6 million. The increase was mainly due to the increase in interest on interest-bearing borrowings to RMB40.7 million in this period as compared to RMB15.0 million in last corresponding period. 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 30 June 2021, the net current assets of the Group amounted to approximately RMB1,286.7 million (as at 31 December 2020: net current liabilities of RMB967.3 million). The current ratio, expressed as current assets over current liabilities, was approximately 1.96 (as at 31 December 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 30 June 2021 are repayable as follows:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Within one year	370,780	1,415,555
After one year but within two years	173,800	51,600
After two years but within five years	993,500	173,500
After five years	80,000	80,000
	<u>1,618,080</u>	<u>1,720,655</u>

There was no material effect of seasonality on the Group's borrowing requirement. As at 30 June 2021, all the interest-bearing borrowings are denominated in RMB.

FINANCIAL REVIEW *(Continued)*

Foreign Currency Risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China (the "PBOC") or other institutions authorized to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies. Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) and must be arranged through the PBOC with government approval.

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

Capital Structure and Treasury Policy

On 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 depositary 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 HKD796,679,000, 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.

FINANCIAL REVIEW (Continued)

Capital Structure and Treasury Policy (Continued)

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.

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 2021. The amount used during the period ended 30 June 2021 and the residual balance to be used as at 30 June 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 period <i>HKD' million</i>	Residual balance to be used as at 30 June 2021 <i>HKD' million</i>
(i) For enlarging the trading hall and rental area of the markets	67	(23)	44
(ii) For upgrading infrastructure facilities of the markets	61	(10)	51
(iii) For developing and installing information software and data collection and analysis systems in the markets	60	(6)	54
	<hr/>	<hr/>	<hr/>
	188	(39)	149
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FINANCIAL REVIEW *(Continued)*

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 30 June 2021, the net proceeds of approximately HKD796.7 million from the Subscription had been received by the Company, in which approximately HKD58.9 million has been utilised for the investment and approximately HKD370.0 million has been utilised for general working capital of the Group. The residual balance of HKD367.8 million is expected to be utilised on or before 31 December 2022.

Charges on Assets

As at 30 June 2021, certain property and equipment and investment properties which had an aggregate carrying value of RMB1,408.6 million (as at 31 December 2020: RMB1,270.1 million) were pledged as securities for bank loans.

Capital Commitment

As at 30 June 2021, the future capital expenditure for which the Group had contracted but not provided for amounted to approximately RMB193.0 million (as at 31 December 2020: RMB113.9 million).

Contingent Liabilities

As at 30 June 2021, the Group provided financial guarantees to banks in respect of banking facilities granted to related parties amounted to RMB290.0 million (as at 31 December 2020: RMB290.0 million), of which RMB185.0 million (as at 31 December 2020: RMB165.0 million) has been utilised by the related parties.

Gearing Ratio

The gearing ratio as at 30 June 2021, which was calculated by dividing the total interest-bearing borrowings and lease liabilities by total assets, was 10.77% (as at 31 December 2020: 11.68%).

Human Resources

As at 30 June 2021, the Group employed 2,587 staff (as at 30 June 2020: 2,419 staff). The Group’s employees are remunerated according to the job nature, individual performance and market trends with built-in merit components. Total remuneration for the six months ended 30 June 2021 was approximately RMB181.8 million as compared with RMB156.9 million for the six months ended 30 June 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.

FINANCIAL REVIEW *(Continued)*

Dividend

The board of directors (the “Board”) has resolved that there was no interim dividend declared for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

PROSPECTS

In recent years, the state has vigorously promoted the construction of agricultural produce supply chain system, comprehensively promoted the revitalisation of rural areas and encouraged the exploration and innovation of agricultural industry services. The Group accurately capitalised the development trend of fresh food distribution industry, actively promoted the implementation of the “New Fresh Food Distribution Business Development Strategies” and expedited the formation of an innovative business model of providing comprehensive services for the wholesale and distribution of fresh food.

The Group accelerated the transformation and upgrading of its agriculture wholesale markets, promoted the construction of supply chain service system in all directions, strengthened the establishment of innovative business system and the strategic layout of innovative business, and explored a brand new development model that realises online and offline integration and efficient linkage of the whole industry chain. We established modern agricultural industrial parks in the growing areas, promoted the regional integration of domestic demand and supply chain of agricultural produce, created a new ecology for the source supply of fresh food; and in the location of sales, the Group also supplied commodities to downstream merchants and partners and offered them an all-encompassing set of agricultural produce supply chain services and solutions covering warehousing, sorting, packaging, logistics and distribution.

In terms of strategic cooperation, we have established joint ventures with JD.com, Inc. to jointly explore the establishment of a new and future-proof model tailored for fresh food distribution industry. We also cooperated with major regional industry leaders to jointly develop a dual-circulation system of agricultural produce connecting domestic and international markets. Furthermore, the Group also expanded the sourcing and supply business cooperation of imported fresh food to its customers in the agriculture wholesale markets, and achieved joint procurement and joint sales with customers.

Looking forward, the Group will continue to fully leverage its core advantages in the fresh food distribution industry, uphold the values and ideologies of “intensive, open and sharing”, work together with ecological partners in reducing the domestic fresh food distribution cost and improving the efficiency and effectiveness of the domestic fresh food distribution industry, and make unremitting efforts to realise its corporate vision as the most trusted food distribution service provider and supplier in China.

SHARE AWARD SCHEME

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

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

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

Up to 30 June 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 six months ended 30 June 2021, the Company has not issued any shares or granted any awarded shares under the Share Award Scheme to any selected employees.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 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. The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2021.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions in the CG Code throughout the six months ended 30 June 2021, save and except for code provision E.1.2. 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 deviation from the code provisions of the CG Code by the Company for the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code for directors’ securities transactions. Upon specific enquiry made by the Company, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2021.

On behalf of the Board
China Dili Group
Wang Yan
Chairman

Hong Kong, 26 August 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 and Ms. Fung Yat, Carol as non-executive directors; and Mr. Fan Ren-Da, Anthony, Mr. Wang Yifu, Mr. Leung Chung Ki and Mr. Tang Hon Man as independent non-executive directors.