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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 2022

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 2022, together with the appropriate comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 — unaudited

	<i>Note</i>	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
Revenue	5	1,038,737	727,418
Other income		61,462	79,376
Cost of goods sold		(428,291)	(21,625)
Distribution costs		(32,892)	–
Operating expenses		(182,415)	(167,363)
Administrative expenses		(329,301)	(317,912)
Impairment losses on trade and other receivables		(68,808)	(32,544)
Profit from operations		58,492	267,350
Net unrealised gains on financial assets measured at fair value through profit or loss		5,553	48,672
Net valuation losses on investment properties		(547,631)	(38,429)
Impairment loss on property and equipment	10(c)	(1,104,941)	–
Share of loss of an associate		(5,464)	–
Net finance costs	6(b)	(22,906)	(51,839)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)**For the six months ended 30 June 2022 — unaudited*

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
(Loss)/profit before taxation	6	(1,616,897)	225,754
Income tax	7	331,815	(61,141)
(Loss)/profit for the period		<u>(1,285,082)</u>	<u>164,613</u>
Attributable to:			
Equity shareholders of the Company		(1,288,235)	158,548
Non-controlling interests		3,153	6,065
(Loss)/profit for the period		<u>(1,285,082)</u>	<u>164,613</u>
Basic and diluted (loss)/earnings per share <i>(RMB cents)</i>	9	<u>(14.48)</u>	<u>1.83</u>

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

For the six months ended 30 June 2022 — unaudited

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period	(1,285,082)	164,613
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company and certain overseas subsidiaries	10,320	24,615
Total comprehensive income for the period	(1,274,762)	189,228
Attributable to:		
Equity shareholders of the Company	(1,277,915)	183,163
Non-controlling interests	3,153	6,065
Total comprehensive income for the period	(1,274,762)	189,228

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 — unaudited

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2022 — unaudited

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

NOTES:

1. INDEPENDENT REVIEW

The interim results for the six months ended 30 June 2022 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 25 August 2022.

3. PRINCIPAL ACCOUNTING POLICIES

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in Note 4.

4. CHANGES IN ACCOUNTING POLICIES

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

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

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the 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 and sales of agricultural products.

(a) Disaggregation of revenue

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

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

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

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

(b) Segment reporting

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

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

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

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

5. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

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

(c) Reconciliation of reportable segment profit

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

6. (LOSS)/PROFIT BEFORE TAXATION

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

(a) Personnel expenses

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

(b) Net finance costs

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

(c) Other items

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation		
— owned property and equipment	106,553	103,874
— right-of-use assets	35,749	34,109
Repairs and maintenance	13,225	14,177
Utility charges	27,342	25,958
	<u>182,869</u>	<u>182,118</u>

7. INCOME TAX

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

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

9. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

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

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

10. PROPERTY AND EQUIPMENT

(a) Right-of-use assets

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

(b) Acquisitions and disposals of owned assets

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

(c) Impairment loss

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

11. INVESTMENT PROPERTIES

Valuation

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

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

12. TRADE AND OTHER RECEIVABLES

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

Notes:

(i) Aging analysis

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

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

12. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes (Continued):

(ii) Amounts due from related parties

Amounts due from related parties represent the loans to Dili Fresh of RMB1,040,000,000 and the related interest as at 30 June 2022 (as at 31 December 2021: RMB1,020,000,000). The amounts are interest-bearing at 6% per annum with maturity dates from August 2022 to December 2023.

(iii) Receivable for disposal of property and equipment

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

(iv) Amounts due from a third party

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

(v) Deposits

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

(vi) Other debtors

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

13. TRADE AND OTHER PAYABLES

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

(i) These mainly represent deposits paid by tenants for the privilege to renew the operating lease contracts upon expiry, and deposits collected from customers to facilitate the payment process of agriculture wholesale markets while using the transaction settlement system.

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

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

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

14. SHARE CAPITAL

	Number of shares		Amount	
	At 30 June 2022 '000	At 31 December 2021 '000	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Authorised				
Ordinary shares of HKD0.10 each	<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	<u>8,896,290</u>	8,418,223	<u>759,624</u>	719,779
Issuance of shares (i)	<u>–</u>	<u>478,067</u>	<u>–</u>	<u>39,845</u>
At end of period/year				
Ordinary shares of HKD0.10 each	<u>8,896,290</u>	<u>8,896,290</u>	<u>759,624</u>	<u>759,624</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 on the same date.

MANAGEMENT DISCUSSION AND ANALYSIS

The principal business of the Group was the operation of 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	292,848
Guiyang Agricultural Produce Logistic Park (“Guiyang Market”)	Guiyang city, Guizhou province	210,646
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
Mudanjiang International Agricultural Produce Logistic Park (“Mudanjiang Market”)	Mudanjiang city, Heilongjiang province	168,913
Harbin Youyi Agricultural Produce Market (“Harbin Youyi Market”)	Harbin city, Heilongjiang province	12,869
China Shouguang Agricultural Produce Logistic Park (“Shouguang Market”)	Shouguang city, Shandong province	594,787
Total		<hr/> <u>1,783,247</u>

BUSINESS REVIEW *(Continued)*

Investment in Dili Fresh

On 31 October 2019, the Company completed the acquisition of 19% equity interests in Million Master Investment Limited (“Million Master”). Million Master and its subsidiaries (collectively the “Dili Fresh”) operate through their PRC subsidiaries, the business of agricultural produce supermarket chain, fresh food chain and supply chain and logistics management in the PRC under the brand name of “Dili Fresh”. The total consideration for the acquisition was RMB950 million. As at 30 June 2022, the fair value of the investment in Dili Fresh and the derivative financial instruments embedded in investment in Dili Fresh was RMB1,073.9 million. The net unrealised gain on the investment was RMB5.6 million during the six months ended 30 June 2022. The investment represents more than 5% of the total assets in the Group’s consolidated statement of financial position. The acquisition is a key milestone for the Group’s expansion into the downstream agricultural retail business. Since the completion of the acquisition of Dili Fresh, the Group has been working closely with Dili Fresh’s management team to create synergies for both parties, especially in the area of fresh produce sourcing.

Core Business Steadily Improving

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

Scaling Up Supply Chain Capabilities

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

Being Active in Creating Social Value

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

FINANCIAL REVIEW

Revenue

Revenue is derived from the commission income, lease income and sales of agricultural products. Commission income primarily based on either value of transactions or weight of products, which we charge to traders. We also earn lease income by leasing space at the warehouses, icehouses and other facilities we have at our markets to assist traders to store and pack their products, and from renting rooms at our on-site residential areas and motels to traders. Revenue from sales of agricultural products is primarily derived from the supply chain business of selling various agricultural produce and food products, mainly fresh fruits.

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

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

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

FINANCIAL REVIEW (Continued)

Revenue (Continued)

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

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

Notes:

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

Gross Profit and Gross Profit Margin

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

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

FINANCIAL REVIEW (Continued)

Gross Profit and Gross Profit Margin (Continued)

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

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

Other Income

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

Operating Expenses

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

Administrative Expenses

Administrative expenses mainly comprised staff cost and depreciation.

Finance Income

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

Finance Costs

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

FINANCIAL REVIEW (Continued)

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

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

Liquidity and Financial Resources

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

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

The maturity profile of the Group's interest-bearing borrowings as at 30 June 2022 are repayable as follows:

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

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

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 authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that would be subject to a managed float against an unspecified basket of currencies. Foreign currency payments, including the remittance of earnings outside the PRC, are subject to the availability of foreign currency (which depends on the foreign currency denominated earnings of the Group) and must be arranged through the PBOC with government approval.

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

Capital Structure and Treasury Policy

The Group adopts conservative policies in managing cash resources and bank borrowings. The Group closely monitors its cash flow position to ensure the Group has sufficient working capital available to meet the operational needs. It also takes into account the bank balances and cash, administrative and capital expenditures to prepare the cash flow forecast to forecast its future financial liquidity.

FINANCIAL REVIEW (Continued)

Use of Proceeds from the Rights Issue

As stated in the circular to the shareholders of the Company dated 25 June 2018, the Group had plans to use the proceeds obtained from the rights issue. The proceeds have been partially utilised and the residual balance from the rights issue are expected to be utilised on or before 31 December 2022. The amount used during the period ended 30 June 2022 and the residual balance to be used as at 30 June 2022 are as follows:

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

Use of Proceeds from the Subscription

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

Charges on Assets

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

Capital Commitment

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

FINANCIAL REVIEW *(Continued)*

Contingent Liabilities

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

Gearing Ratio

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

Human Resources

As at 30 June 2022, the Group employed 2,625 staff (as at 30 June 2021: 2,587 staff). The Group's employees are remunerated according to the job nature, individual performance and market trends with built-in merit components. Total remuneration for the six months ended 30 June 2022 was approximately RMB185.7 million as compared with approximately RMB181.8 million for the six months ended 30 June 2021. We have established a training program that aims to support and encourage members of our management team to continue improving their management skills and develop their careers, including arranging for seminars. We provide orientation training as well as on-the-job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development. Employees in Hong Kong participate in Mandatory Provident Fund Scheme while employees in the PRC also participate in similar scheme.

Dividend

The Board has resolved that there was no interim dividend declared for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

SHARE AWARD SCHEME

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

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

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

Up to 30 June 2022, the Trustee had purchased a total of 123,796,200 existing shares of the Company from the market with a total cost of approximately RMB285.7 million. During the six months ended 30 June 2022, the Company has not issued any shares or granted any awarded shares under the Share Award Scheme to any selected employees.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2022.

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “CG Code”). The primary duty of the audit committee is to review and supervise the financial reporting process, risk management and internal control systems of the Group. The audit committee comprises two independent non-executive directors and a non-executive director. The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2022.

CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2022.

On behalf of the Board
China Dili Group
Wang Yan
Chairman

Hong Kong, 25 August 2022

As at the date of this announcement, the Board comprises Mr. Wang Yan, Mr. Dai Bin and Ms. Qin Xiang as executive directors; Mr. Yin Jianhong and Mr. Liu Lizhen 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.