# 中国地利集团
# China Dili Group

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

## ANNUAL REPORT 2020

# Contents

# Corporate Information

## Directors

### Executive Directors

Wang Yan (Chairman)
Dai Bin (Chief Executive Officer)
Qin Xiang (Chief Operating Officer)

### Non-Executive Director

Yin Jianhong

### Independent Non-Executive Directors

Fan Ren-Da, Anthony
Wang Yifu
Leung Chung Ki
Tang Hon Man

## Audit Committee

Fan Ren-Da, Anthony (Chairman)
Wang Yifu
Yin Jianhong

## Remuneration Committee

Tang Hon Man (Chairman)
Wang Yan
Wang Yifu

## Nomination Committee

Tang Hon Man (Chairman)
Wang Yan
Wang Yifu

## Authorised Representatives

Wang Yan
Hung Fan Kwan FCPA, FCCA

## Company Secretary

Hung Fan Kwan FCPA, FCCA

## Auditors

KPMG
*Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance*

## Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## Principal Place of Business in Hong Kong

Room 4205–10, 42/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

## China Offices

18/F, Block C, Heqiao Mansion
No. 8 Guanghua Jia Road
Chaoyang District
Beijing, China

Room 1705, China Resources Building
Yuehai Sub-district Office
Nanshan District
Shenzhen City, China

## Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## Stock Code

The Stock Exchange of Hong Kong Limited: 1387

## Investor Relations

Company Website: www.diligrp.com
Email: ir@dili.com.hk

# Chairman's Statement

2020 is the year of innovations and developments for China Dili Group. In the face of the sudden and unprecedented COVID-19 pandemic outbreak, we took the initiative to assume our social responsibility to ensure stable supply of fresh produce. While taking all the necessary measures to fight against the pandemic, we also continued to implement our business development strategies at the same time. As a result, we not only achieved "zero infection" among our staff, but was able to keep our wholesale markets open throughout the year to ensure daily supply of fresh produce at stable prices. We achieved an annual net profit of RMB203 million for the year 2020.

During the pandemic outbreak, the unique strengths and advantages of China Dili Group's position within the fresh food wholesale and distribution channels were fully utilized. On the one hand, we strictly implemented the pandemic prevention and food safety measures and on the other hand, we stabilized the operations of our markets by means of reducing costs, expanding supply sources and increasing storage capacity. We make every effort to ensure the daily supply of agricultural products in the cities in which we currently operate, and to actively help cross-province sales of stagnant agricultural products from Guangxi, Yunnan, Gansu and Liaoning. In addition, we also took the lead in charity and donated RMB16.2 million to Wuhan, the city suffered the most during the pandemic outbreak.

In 2020, in respect of our agriculture wholesale markets business, the Group completed the acquisition of the lands and assets of 6 markets. We also continued our infrastructure renovation and ancillary facilities construction plan. These optimized the Group's assets with hardware upgrade, ensuring the long-term stability of the markets' operations. The completion of the planning and approval of the Kunming International Agricultural Produce Logistic Park paved the way for the sustainable growth of the Group's traditional agriculture wholesale markets business. In respect of technology empowerment, the Group has developed and implemented several operation and management IT systems for our existing markets, including a SAAS-based operation management system, a product tracing system, and various intelligent management systems etc. We also successfully achieved the productization, commercialization and platformization of systems, laying a solid foundation of the required technology, products and models for building an online ecosystem platform for the fresh food distribution industry. In terms of the innovative businesses, the Group has launched new businesses such as self-operated trading of agriculture products, supply chain services, supply chain finance and private equity investment. These help the Group to advance further in respect of business transformation and revenue structure optimization.

In October 2020, the Group released its new fresh food distribution business development strategies, i.e. leverage on our cornerstone agriculture wholesale market business and expand into the fresh food distribution supply chain services, utilizing the land assets and the customer resources of the existing wholesale markets. Our target is to build an open, shared, intensive and intelligent integrated service platform for the fresh produce distribution industry. Accordingly, the Group has introduced a strategic partner JD.com, Inc. with the intention to share both of our resources and to achieve mutual empowerment along the fresh food distribution value chain. This will help accelerate the Group's digitalization of fresh food distribution, the construction of a comprehensive internet-based service platform and the expansion of supply chain business.

In 2020, the contribution we made to the country and our efforts in fighting against the pandemic and provision of stable supply of fresh produce, as well as our innovative developments earned the high recognitions and honors from different government authorities at all levels and the public across multiple sectors. Finally, on behalf of China Dili Group, I would like to express my sincere gratitude for the affirmation, encouragement and overwhelming support from all sectors of the society. China Dili Group will continue to uphold the mission of "empowering China's food distribution for a quality life" with devotion to build a new distribution system of China's fresh food to improve overall efficiency and effectiveness and become the most reliable food distribution service provider in China!

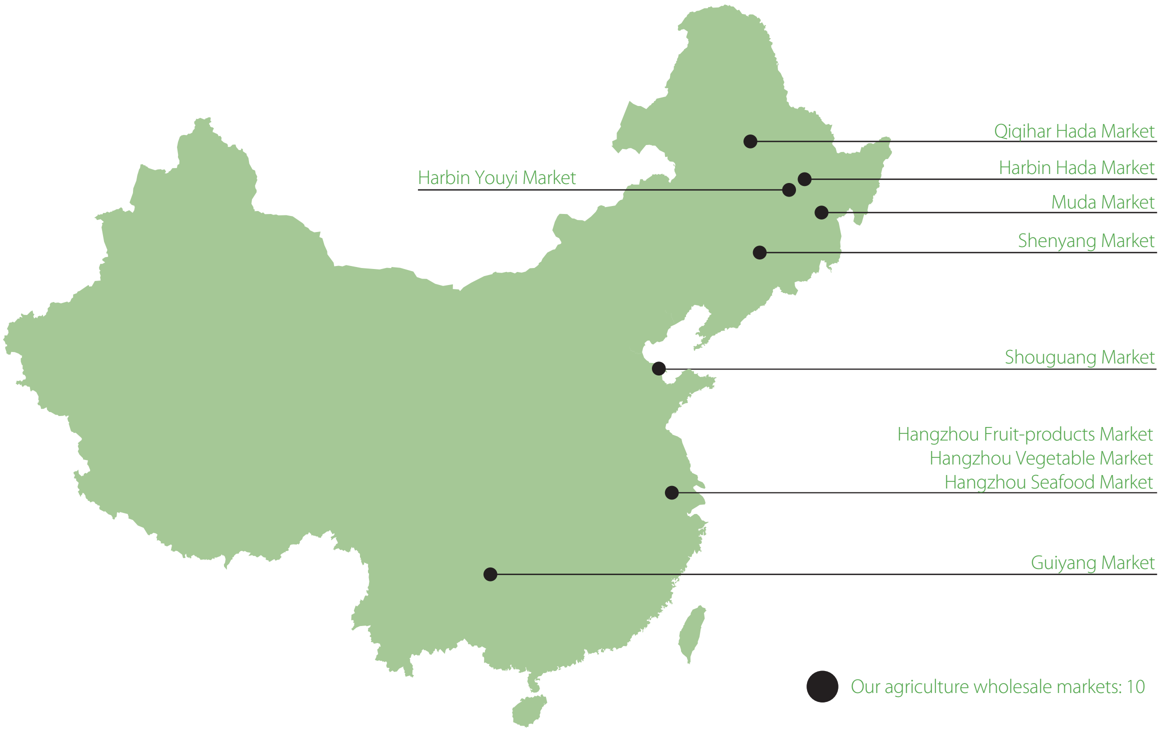
**Wang Yan**
*Chairman*

30 March 2021

# Management Discussion and Analysis

## Our Business

The Group currently operates 10 agriculture wholesale markets in 7 cities in the People's Republic of China (the "PRC").




### Hangzhou Dili Logistic Park Cluster (杭州地利物流園集群) (the "Hangzhou Dili Cluster")

*An innovative logistic park with electronic settlement & big data*

The Hangzhou Dili Cluster consists of 3 markets, namely a fruit-products market, a vegetable market and a seafood market. The Hangzhou Dili Cluster is the largest agriculture wholesale market in Hangzhou.

The 3 markets within Hangzhou Dili Cluster were rebranded as Hangzhou Dili Logistic Park after completion of the Group's acquisition from an independent third party in July 2018.

The Hangzhou Dili Cluster has become a key logistic hub for agricultural produce within the Yangtze River Delta and surrounding regions. The supply of fruit, vegetable and seafood takes up approximately 70% of the local demand. At the same time, it serves a more extended area, including other cities in Zhejiang Province as well as Jiangsu Province, Anhui Province, Jiangxi Province and Hubei Province.

One of the prominent features of the Hangzhou Dili Cluster is the full implementation of electronic settlement as well as the big data system which collects, analyzes and makes use of trading and logistic data collected from the markets. The Hangzhou Dili Cluster is the pioneer in promoting integration and use of internet in the traditional agriculture wholesale market business.

| No. of wholesale markets | Total GFA# | Total annual trading volume |
|---|---|---|
| 3 | Approximately 245,017 sq.m. | Approximately 1.6 million tonnes |

# "GFA" represents Gloss Floor Area

# Management Discussion and Analysis

**Shenyang Shouguang Dili Agricultural Produce and Side Products Market* (瀋陽壽光地利農副產品市場) ("Shenyang Market")**

*The largest transit center for agricultural products in Northeast China & fruits logistics hub*

Shenyang Market consists of two large markets, namely Shenyang Fruit Market and Shenyang Fruit and Vegetable Market, and two smaller markets for commodity and condiments, and seafood respectively. Shenyang Market provides full categories of all agricultural produce. Shenyang Fruit Market is an old market where its operation dates back to mid-1990s. The Shenyang Market is located in Dadong District within the city of Shenyang.

Shenyang Market supplies more than 90% of local fruit market, and 50% of the fruits from the market is supplied to the three provinces of Northeast China and Inner Mongolia region.

Shenyang Market plays a decisive role in Northeast China as it's the major transit center for agricultural produce and side products in Northeast China as well as the largest fruits logistics hub in Northeast China.

| No. of wholesale markets | Total GFA# | Total annual trading volume |
|---|---|---|
| 1 (divided into several markets for different commodities) | Approximately 264,517 sq.m. | Approximately 2.1 million tonnes |

**Guiyang Agricultural Produce Logistic Park* (貴陽農產品物流園) ("Guiyang Market")**

*The logistic hub in Southwest China*

Guiyang Market is the Group's only wholesale market in Southwest China. It includes large-scale vegetable and fruit market, as well as markets for frozen food, grain and oil and condiments.

Through years of our efforts, Guiyang Market has now become the largest agricultural produce distribution center among the nine provinces of Southwest and Northwest region of China and extended its geographical coverage to Guangxi Province, Hunan Province and Hubei Province.

Guiyang Market is an integrated wholesale market, it covers outward distribution of product produced locally, as well as inward sales of agricultural produce from the outside regions. It provides full categories of agricultural produce and distribution channels for the poverty alleviation program promoted by the State.

| No. of wholesale markets | Total GFA# | Total annual trading volume |
|---|---|---|
| 1 | Approximately 187,081 sq.m. | Approximately 1.3 million tonnes |

* *For identification purpose only*

\# "GFA" represents Gloss Floor Area

# Management Discussion and Analysis

## Heilongjiang Dili Logistic Park Cluster (黑龍江地利物流園集群) (the "Heilongjiang Dili Cluster")

*Multi-level markets with focus on regional coverage and foreign trade*

The Heilongjiang Dili Cluster includes 4 markets in Heilongjiang Province, including (1) Harbin Hada Agricultural Produce and Side Products Market* (哈爾濱哈達農副產品市場) ("Harbin Hada Market") which forms the core of the cluster, supported by (2) Qiqihar Hada Agricultural Produce Market* (齊齊哈爾哈達農產品市場) ("Qiqihar Hada Market"); (3) Muda International Agricultural Produce Logistic Park* (牡丹江國際農產品物流園) ("Muda Market") and (4) Harbin Youyi Agricultural Produce Market* (哈爾濱友誼農產品市場) ("Harbin Youyi Market"). These four markets form a multi-level cluster.

The geographical reach of the Heilongjiang Dili Cluster covers more than 50 cities and counties in Heilongjiang Province, Jilin Province and East of Inner Mongolia region.

Muda Market, which is part of the Heilongjiang Dili Cluster, focuses on Sino-Russian trade activities.

| No. of wholesale markets | Total GFA# | Total annual trading volume |
|---|---|---|
| 4 | Approximately 440,842 sq.m. | Approximately 1.4 million tonnes |

## China Shouguang Agricultural Produce Logistic Park* (中國壽光農產品物流園) ("Shouguang Market")

*Largest integrated agriculture logistic park in Asia*

Shouguang Market is currently the largest integrated agriculture logistic park in Asia in terms of site area which amounts to 1,123,925 sq.m.. The park is divided into 6 functional zones, including fruit trading, vegetable trading, seeds trading and e-commerce business zones etc. Shouguang Market is the logistic hub of vegetable circulation linking the southern and northern part of China. It also serves as a key center nationwide for functions like national price setting for vegetables, trading information and logistic distribution.

The price indices created from the Shouguang Market serves as the approved national official price indices in China.

| No. of wholesale markets | Total GFA# | Total annual trading volume |
|---|---|---|
| 1 | Approximately 545,457 sq.m. | Approximately 0.9 million tonnes |

* *For identification purpose only*

\# "GFA" represents Gloss Floor Area

# Management Discussion and Analysis

## Business Review

### 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 HKD4,405,286,344 (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 of 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.

### 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 31 December 2020, the fair value of the investment in Dili Fresh and the derivative financial instruments embedded in investment in Dili Fresh was RMB979.4 million. The net unrealised gain on the investment was RMB55.6 million during the year ended 31 December 2020. 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.

# Management Discussion and Analysis

### 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<br>RMB' million** | 2019<br>RMB' million | Change<br>RMB' million | Change<br>% |
|---|---|---|---|---|
| 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 | **1,450.1** | 1,421.0 | 29.1 | 2.0 |

# Management Discussion and Analysis

### Revenue *(Continued)*

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

| | *Note* | **2020 RMB' million** | 2019 RMB' million | Change RMB' million | 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 | | **1,368.8** | 1,421.0 | (52.2) | (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.

# Management Discussion and Analysis

### 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 1.3).

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 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| 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 |
| | **1,720,655** | 473,180 |

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 and the related interest rate structures are included in note 28(c) — Interest rate risk to the financial statements.

# Management Discussion and Analysis

## 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 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 gross proceeds and the estimated net proceeds (after deduction of the relevant expenses and fees) from the Subscription will be HKD798,372,000 and approximately HKD796,572,000, 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 HKD1.67 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.

Details of the Group's exposure to fluctuations in exchange rates and related hedges are included in note 28(d) – Foreign currency risk to the financial statements.

# Management Discussion and Analysis

### Use of Proceeds

As stated in the circular to the shareholders of the Company (the "Shareholders") 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 HKD' million | Used during the year HKD' million | **Residual balance to be used as at 31 December 2020 HKD' million** |
|---|---|---|---|---|
| (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** |
| | | 321 | (133) | **188** |

### 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.

### 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.

# Directors and Senior Management Profile

## Executive Directors

**Mr. WANG Yan (王岩)**, aged 55, was appointed as our Executive Director and the Chairman in September 2018. He is a member of the remuneration committee and nomination committee of the Board of the Company. Mr. Wang has vast experience in management of securities and financial companies via serving in management or administrative positions of various securities companies and banks and is primarily responsible for the Group's overall strategic planning and the management of the Group's business. Prior to joining the Group, Mr. Wang served as executive director of China Merchants Securities Co., Ltd. ("China Merchants Securities") (the securities of which are listed on the Shanghai Stock Exchange ("SSE") with stock code: 600999 and the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with stock code: 6099) from December 2011 to August 2018. During such period, he also served as its president and chief executive officer from January 2012 to August 2018. From October 2011 to August 2018, he served as director of China Merchants Securities International Company Limited ("CMS International") and China Merchants Securities (HK) Co., Limited in succession. During such period, he also served as chairman of the board of directors of CMS International from September 2015 to August 2018. From December 2017 to February 2019, he served as director of China Merchants Securities Investment Co., Ltd.. From October 2011 to May 2014, he served as director of China Merchants Securities Investment Management (HK) Co., Limited, CMS Capital (HK) Co., Limited and China Merchants Nominees (HK) Co., Limited. From March 2005 to September 2011, he served as executive president and chief operating officer, acting chief executive officer, and executive president and chief executive officer of BOC International Holdings Limited. From August 2000 to January 2005, he served as deputy general manager of the Hong Kong branch of Industrial and Commercial Bank of China Limited ("ICBC") (the securities of which are listed on SSE with stock code: 601398 and the Main Board of the Stock Exchange with stock code: 1398). During such period, Mr. Wang also served as deputy general manager and alternative chief executive officer of Industrial and Commercial Bank of China (Asia) Limited (the securities of which were listed on the Main Board of the Stock Exchange with stock code: 349 but subsequently completed privatization in December 2010) from July 2001 to December 2004. From February 1997 to August 2000, he served as representative and chief representative of the New York representative office of ICBC. During July 1989 to February 1997, Mr. Wang held various positions at ICBC (Headquarter) including deputy director of the international finance division of the international business department and deputy director of office secretariat and secretary to the president etc. In addition to the above, Mr. Wang has also served as economic and technical consultant of the People's Government of Jilin Province since July 2012.

Mr. Wang obtained a bachelor's degree and a master's degree in law majoring in international law, and a doctoral degree in economics majoring in national economics, all from Peking University, in July 1986, July 1989 and January 2005, respectively. Mr. Wang was granted the title of Senior Economist by ICBC in August 1999.

# Directors and Senior Management Profile

**Mr. DAI Bin (戴彬)**, aged 29, was appointed as our Executive Director in June 2014 and was also appointed as the Chief Executive Officer in September 2018. Mr. Dai is primarily responsible for operation and management of the Group's investments and finance and is a director of various subsidiaries of the Company. He graduated from University of New South Wales, Australia, with a bachelor's degree of commerce, major in finance in 2012.

**Ms. QIN Xiang (秦湘)**, aged 47, was appointed as our Executive Director in June 2020. Ms. Qin is also the vice president and Chief Operating Officer of the Company. She is responsible for market operation, innovative business and digital platform of the Group. Ms. Qin joined the Group in December 2019. She has over 9 years' experience in technical development and over 17 years' experience in finance and business operation. Prior to joining the Group, she served as deputy general manager of clearing centre, general manager of custody department and general manager of asset management company of China Merchants Securities. During her term of office, she was awarded with various municipal and ministerial honours including Shenzhen Financial Innovation Award* (深圳市金融創新獎) and the gold prize of State-owned Enterprises Youth Innovation Award of the third "Aerospace and Science and Industry Prize*" ("航天科工杯"第三屆中央企業青年創新成果金獎). Ms. Qin graduated from Central South University with computer science and application and obtained a master degree in computer science.

* *For identification purpose only*

# Directors and Senior Management Profile

## Non-Executive Director

**Mr. YIN Jianhong (尹建宏)**, aged 63, was appointed as our Non-Executive Director in December 2018. He is a member of the audit committee of the Board of the Company. He graduated with master degree in economics in Northwest University* (西北大學). Mr. Yin has over 40 years' experience in economic management. He has served as chairman of Renhe Investments Holdings Corporation Company Limited* (人和投資控股股份有限公司) since September 2018 and a director of Dili Agri-products Investments Holdings Co., Ltd.* (地利農產品投資控股有限公司) since April 2014. He also served as chairman of Shouguang Dili Agri-products Group Company Limited from April 2014 to June 2019. Prior to this, Mr. Yin served as deputy director of State-owned Assets Supervision and Administration Commission of Xi'an City from October 2005 to November 2013. From February 1999 to September 2005, he served as president of Commercial Bank of Xi'an (currently known as Bank of Xi'an). From July 1992 to September 1996, he served as general manager of Shaanxi International Trust Co., Ltd.* (陝西省國際信託投資股份有限公司). From September 1986 to June 1992, he served as director of accounting division of the Shaanxi Branch of China Construction Bank. From October 1985 to August 1986, he was the principal of Shaanxi Shangluo Finance and Accounting School* (陝西省商洛財政會計學校).

## Independent Non-Executive Directors

**Mr. FAN Ren-Da, Anthony (范仁達)**, aged 60, joined in 2007 as an independent Non-Executive Director of the Company. He is also the chairman of audit committee of the Board of the Company. Mr. Fan holds a Master's Degree in Business Administration from the United States of America. He is the chairman and managing director of AsiaLink Capital Limited and the founding president of The Hong Kong Independent Non-Executive Director Association. Mr. Fan has extensive experience in reviewing and analyzing financial statements of listed corporations and private sectors. Prior to that, he held senior positions with various international financial institutions and was the managing director of a company listed on the Stock Exchange. Mr. Fan is an independent non-executive director of CITIC Resources Holdings Limited (Stock Code: 1205), Raymond Industrial Limited (Stock Code: 229), Uni-President China Holdings Ltd. (Stock Code: 220), China Development Bank International Investment Limited (Stock Code: 1062), Neo-Neon Holdings Limited (Stock Code: 1868), Shanghai Industrial Urban Development Group Limited (Stock Code: 563), Technovator International Limited (Stock Code: 1206), Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868), Hong Kong Resources Holdings Company Limited (Stock Code: 2882) and Semiconductor Manufacturing International Corporation (Stock Code: 981), all of them are listed on the Main Board of the Stock Exchange. Apart from these, Mr. Fan was an independent non-executive director of CGN New Energy Holdings Co., Ltd. (Stock Code: 1811) which is listed on the Main Board of the Stock Exchange in the past three years.

**Mr. WANG Yifu (王一夫)**, aged 70, was appointed as an independent Non-Executive Director of the Company in August 2008. He is also a member of each of the audit committee, remuneration committee and nomination committee of the Board of the Company. Mr. Wang has over 35 years of experience in the banking and finance industry. He worked at several branches of the China People's Construction Bank (中國人民建設銀行) in Harbin from 1975 to 1993, during which he had worked at the accounting and investment divisions of various branches. He was appointed as the director (行長) of the marketing division and the senior economist of Harbin main branch of the China People's Construction Bank in 1991 and 1993, respectively. In 1996, Mr. Wang was appointed as the supervisor (監事長) of the internal auditing department of Harbin Commercial Bank (哈爾濱商業銀行) and was promoted to vice-governor (副行長) of the same department in 1999. Since 2004, Mr. Wang has been the inspector (調研員) of Harbin Commercial Bank. Mr. Wang graduated from Northeast Heavy Machinery College (東北重型機械學院) with a college degree in mechanical engineering in 1975.

* *For identification purpose only*

# Directors and Senior Management Profile

**Mr. LEUNG Chung Ki (梁松基)**, aged 64, was appointed as the independent Non-Executive Director of the Company in 2012. He graduated with bachelor degree in business administration in the Chinese University of Hong Kong and a master degree in business administration in the De Paul University in the United States of America. Mr. Leung is an independent non-executive director of PYI Corporation Limited, a company listed on the main board of the Stock Exchange with stock code: 498. He has over 20 years of banking experience and holds directorships in various companies engaging in investment since 2000.

**Mr. TANG Hon Man (鄧漢文)**, aged 62, was appointed as the independent Non-Executive Director of the Company in 2012. He is the chairman of the remuneration committee and the nomination committee of the Board of the Company. Mr. Tang graduated with a bachelor degree in business administration in the Chinese University of Hong Kong. Mr. Tang has over 30 years of working experience and has been appointed as the director of supply chain management division of an international electronic product distribution group since 2006 and served as a director of supply chain management division of a global 3D printing technology company listed in the United States of America from April 2013 to March 2020.

## Senior Management

**Ms. CHE Xiaoxin (車曉昕)**, aged 57, is our vice president and is fully responsible for the Company's finance–related management. Ms. Che joined the Group in December 2018 and has over 30 years experience in accounting, finance and taxation management. Prior to joining the Group, Ms. Che successively served as general manager of investment banking of Zhuhai Securities Co., Ltd.* (珠海證券有限公司), and general manager of investment banking department and general manager of finance department of China Merchants Securities. She also taught in a university. Ms. Che graduated from Zhongnan University of Economics (中南財經大學), with a master degree of Economics, major in accounting. Ms. Che is also a certified public accountant and senior accountant in China.

**Mr. CHU Chengfa (楚成發)**, aged 53, is our vice president and responsible for the management of the Group's administration and legal affairs. Mr. Chu joined the Group in 1999 and has almost 30 years of experience in the legal compliance field. He was appointed as the head of the legal affairs department of the Group in 1999 and vice president in 2003, advising the overall legal compliance of all the Group's projects. Prior to joining the Group, Mr. Chu worked at Heilongjiang Province Hongsheng Trade Co. (黑龍江省宏盛經貿公司) as the head of the legal department and the deputy general manager of the company from 1991 to 1999. Mr. Chu graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law.

**Mr. BAI Yubin (柏余斌)**, aged 39, is our vice president and responsible for human resource management and strategic management. Mr. Bai joined the Group in 2020 and prior to his joining to the Group, Mr. Bai successively served various managerial positions in PRC region at group level in manufacturing, real estate, finance, FMCG, retail and other industries, the roles include the key officer of the human resources, vice president, chief executive officer. He has rich management experience in strategy, organization, performance, talent development, corporate culture, IT applications and other aspects. Mr. Bai graduated from Peking University with a master degree of business administration.

* *For identification purpose only*

# Directors and Senior Management Profile

**Mr. GENG Xiaoguo (耿孝國)**, aged 56, is our vice president and also general manager of our infrastructure management department and general manager of Shenyang Dili Agricultural Produce and Side Products Co., Ltd.* (瀋陽地利農副產品有限公司) ("Shenyang Dili"). He is primarily responsible for the Group's infrastructure management and the operation and management of Shenyang Dili. Mr. Geng joined our Group in 2001 and served as general manager of our marketing management department. He has over 20 years experience in project construction and commercial operations. Mr. Geng has been appointed as a director of Guangzhou Renhe New World Public Facilities Co., Ltd.* (廣州人和新天地公共設施有限公司) since 2006. He was then appointed as acting general manager of Shenyang Dili in 2018 and in charge of business operation, market planning and agriculture wholesaling management. Mr. Geng graduated from Heilongjiang University with a bachelor's degree in law.

**Mr. HUNG Fan Kwan (孔繁崑)**, FCPA, FCCA, aged 56, is our vice president and chief financial officer as well as company secretary, is primarily responsible for overseeing the Group's financial reporting and compliance with the requirements under the Hong Kong Listing Rules with regard to financial reporting and other accounting-related issues. Mr. Hung joined the Group in March 2008 and has over 30 years experience in accounting, finance and treasury functions. Prior to joining the Group, Mr. Hung was appointed to a number of senior accounting and financial positions with various listed and private companies in Hong Kong and was previously a vice audit manager at Coopers & Lybrand (currently known as PricewaterhouseCoopers). He graduated with a Professional Diploma in Accountancy from the Hong Kong Polytechnic University and is a fellow member of the Chartered Association of Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales.

* *For identification purpose only*

# Report of the Directors

The directors of the Company (the "Directors") present their annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020.

## Principal Activities

The Company acts as an investment holding company. The principal activities of its major subsidiaries as at 31 December 2020 are set out in note 16 to the financial statements.

## Business Review

The business review, the analysis using financial key performance indicator on the Group and the indication of likely future development on the Company's business are set out on pages 4 to 12 of this annual report.

The Group has set up systems and procedures to ensure compliance with relevant laws and regulations which have a significant impact on the Group and in the conduct of its businesses, including internal control procedures, establishment of code of conduct and internal policies for prevention of bribery, risk management and whistleblowing, staff training, regular review of sufficiency and effectiveness of its systems and procedures, timely communication to relevant departments and staff upon enactment of, or changes in, relevant laws and regulations, and regular reminders of compliance.

## Environmental Policies and Performance

The Group is committed to environmental sustainability. Its sustainability policy underscores environmental protection in business activities, management and operation practices, intending to minimise their impact on the environment and integrate sustainable practices in its supply chain as far as practicable.

The Group continues its environmentally-conscious practices including operating a greener workplace, reducing its carbon footprint, optimising its energy use, reducing its waste generation, conserving resources and maintaining indoor environmental quality.

## Relationships with Stakeholders

The Group recognises the critical roles its employees, customers, suppliers, business partners and community play in its sustainability practices.

The Group's employees are one of its most important assets and it is committed to providing them with a fair and safe, healthy and happy work environment that is conducive to personal growth and career development. The Group has in place work-life balance and continuing education programs.

The Group's customers hold the key to the success of its sustainable journey. The Group strives for excellence in service across its business activities and implement reasonable measures to guard the safety of its customers under relevant laws and regulations.

Stakeholders in the Group's supply chain — suppliers and vendors — are crucial collaborators. The Group is committed to sharing its core values in pursuit of business integrity, service excellence and long-term mutually beneficial relationships.

Further information of the Group's sustainability and environmental policies and performance as well as relationships with stakeholders can be found in the Environmental, Social and Governance Report in this annual report.

# Report of the Directors

## Potential Risk Factors

The Group's financial performance, operations and prospects for growth may be affected by risks and uncertainties, both direct and indirect. Key risk factors are set out below but they are by no means exhaustive or comprehensive and there may be other additional risks which are not yet known to the Group or which may not be significant now but may turn out to be significant in the future:

### Competition

The agricultural industry, and particularly the agriculture wholesaling sector, is highly competitive in China. We face competition from national and regional operators of wholesale markets, and forms of internet business in the areas in which we currently operate. All of these markets owned by third parties compete with our markets. As such, we cannot ensure to retain our customers, given the intense competition in the agriculture wholesaling industry in China, which may result in a loss of market share as well as a decrease in profitability. Consequently, there may be material adverse effects on our financial performance.

### Government Policies, Regulations and Approvals

The major businesses of our Company are subject to extensive legal compliance, grant of licenses or concessions and their respective requirements, necessary government approvals, as well as safety, hygiene and environmental regulations. Any breaches, incidents, or failure to receive licences, concessions or approvals from relevant governments may cause suspensions of operations. Besides, operations of agriculture wholesaling markets are subject to a wide variety of laws and regulations and policies including those of healthcare, hygiene, taxation, environmental, safety, fire, food preparation, building and security etc. Further increases in wages level in China could also cause higher costs of operations.

### Exposure to Exchange Rates

Presently, most of the Group's business transactions, assets and liabilities are denominated in RMB and settled in RMB. The Group's exposure to currency risk is minimal as the Group's assets and liabilities as at 31 December 2020 were denominated in the respective Group companies' functional currencies. The Group does not have any currency hedging policy and has not entered into any hedging or other instrument to reduce currency risks. However, the management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

# Report of the Directors

## Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

| | Percentage of the Group's total Sales | Purchases |
|---|---|---|
| The largest customer | 3% | |
| Five largest customers in aggregate | 6% | |
| The largest supplier | | 29% |
| Five largest suppliers in aggregate | | 56% |

None of the Directors, their respective associates or, so far as the Directors are aware, any Shareholder who owns more than 5% of the issued share capital of the Company has any interest in any of the said top five customers and suppliers of the Group for the year.

## Financial Statements

The profit of the Group for the year ended 31 December 2020 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 63 to 142.

## Dividend Policy

The Company has a dividend policy (the "Dividend Policy") setting out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders. Under the Dividend Policy, the Company does not have any pre-determined dividend payout ratio and the Company is in no way obliged and does not assure that a dividend will be declared at a specific time. The amounts of dividends actually declared and paid will take into account a number of factors, including but not limited to general business conditions and development as well as financial results and cashflow requirements of the Group, interests of the Shareholders and any other factors which the board of Directors (the "Board") may consider relevant. The Dividend Policy is available on the website of the Company (www. diligrp.com).

## Dividends

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

## Transfer to Reserves

Profit attributable to equity Shareholders, before dividends, of RMB194,207,000 (2019: profit of RMB557,285,000) has been transferred to reserves. Other movements in reserves are set out in the Group's consolidated statement of changes in equity for the year ended 31 December 2020 on pages 67 to 68.

# Report of the Directors

## Distributable Reserves

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the provisions of Cayman Companies Law, amounted to approximately RMB2,368,561,000 (as at 31 December 2019: RMB2,195,795,000).

## Charitable Donations

Charitable donations made by the Group during the year amounted to RMB16,156,000 (2019: RMB326,000).

## Property and Equipment

Details of the changes in property and equipment of the Group are set out in note 12 to the financial statements.

## Share Capital

Details of the changes in the Group's share capital during the year are set out in note 25(c) to the financial statements.

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

## Directors

The Directors during the financial year were:

### Chairman

Wang Yan

### Executive Directors

Wang Yan
Dai Bin
Qin Xiang (was appointed on 1 June 2020)

### Non-executive Directors

Yin Jianhong
Yang Yuhua (resigned on 29 September 2020)

### Independent non-executive Directors

Fan Ren-Da, Anthony
Wang Yifu
Leung Chung Ki
Tang Hon Man

## Biographical Details of the Directors

The biographical details of the current directors are set out on pages 13 to 17 of this annual report.

# Report of the Directors

## Directors’ Service Contracts, Rotation and Confirmations of Independence

The executive Directors are engaged on a service contract for a term of three years. Each service contract will continue thereafter until terminated by not less than one month’s notice in writing served by either party. Most of the non-executive Directors and independent non-executive Directors have been appointed to hold the office for a term of one year and thereafter continue for further successive periods of one year with maximum period of three years for further re-election at annual general meeting of the Company (“AGM”). In addition, the appointment of each Director is subject to retirement by rotation in accordance with the Articles.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and considers all the independent non-executive Directors to be independent.

In accordance with the provisions of the Articles, Ms. Qin Xiang, Mr. Yin Jianhong, Mr. Fan Ren-Da, Anthony and Mr. Leung Chung Ki will retire from the Board at the forthcoming AGM but, being eligible, will offer themselves for re-election.

Other than disclosed above, none of the Directors has entered or has proposed to enter into any service contract with the Company or any of its subsidiaries which is not expiring or determinable by the employing company within one year without payment of compensation other than statutory compensation.

## Directors’ Emoluments

Details of Directors’ emoluments on a named basis are set out in note 8 to financial statements. The Directors’ fees are subject to Shareholders’ approval at general meetings. Other emoluments are determined by the Company’s Board with reference to Directors’ responsibilities, abilities and performance, the Company’s operations, as well as remuneration benchmark in the prevailing market conditions.

No Director has waived or has agreed to waive any emoluments during the year ended 31 December 2020.

The emolument policy of the Company is set out in the Corporate Governance Report on pages 38 to 46 of this annual report.

## Management Contracts

No contracts for the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended 31 December 2020.

## Permitted Indemnity Provision

Pursuant to the Articles, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favor, or in which he/she is acquitted.

# Report of the Directors

## Equity-Linked Agreements

Other than those disclosed in the sections headed "Issue of Securities" and "Share Award Scheme" on pages 26 to 27 of this annual report, no equity-linked agreements were entered into by the Company during the year ended 31 December 2020 or subsisted at the end of the year.

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

As at 31 December 2020, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company as required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules were as follows:

**Long/short positions in shares/underlying shares of the Company:**

| Name of director | Capacity | Nature of interest | Number of issued shares/ underlying shares | Approximate percentage of interest in the Company |
|---|---|---|---|---|
| Ms. Qin Xiang | Interest of spouse | Long position | 800,000 | 0.01% |
| Mr. Yin Jianhong | Beneficial owner | Long position | 4,835,000 | 0.06% |

Save as disclosed above, none of the Directors or chief executives of the Company or their associates had, as at 31 December 2020, any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

# Report of the Directors

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2020, the interests or short positions of the substantial Shareholders (other than the Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name of Shareholder | Capacity | Number of issued shares/ Nature of interest *(Note 1)* | Approximate percentage of interest in the Company |
|---|---|---|---|
| Mr. Dai Yongge | Beneficial owner | 20,007,000 (L) | 0.24% |
| | Interest in controlled corporations *(Note 2)* | 2,111,021,532 (L) | 25.07% |
| | Interest of spouse *(Note 3)* | 3,514,336,975 (L) | 41.75% |
| | Interest in a controlled corporation | 6,655,629 (S) | 0.08% |
| Super Brilliant Investments Limited | Beneficial owner | 2,011,810,466 (L) | 23.90% |
| | Beneficial owner | 6,655,629 (S) | 0.08% |
| Shining Hill Investments Limited | Interest in a controlled corporation *(Note 2)* | 2,011,810,466 (L) | 23.90% |
| | Interest in a controlled corporation | 6,655,629 (S) | 0.08% |
| Ms. Zhang Xingmei | Interest in a controlled corporation *(Note 4)* | 3,514,336,975 (L) | 41.75% |
| | Interest of spouse *(Note 5)* | 2,131,028,532 (L) | 25.31% |
| | Interest of spouse *(Note 5)* | 6,655,629 (S) | 0.08% |
| New Amuse Limited | Beneficial owner | 3,514,336,975 (L) | 41.75% |
| Shouguang Dili Agri-products Group Company Limited | Interest in a controlled corporation *(Note 4)* | 3,514,336,975 (L) | 41.75% |
| Dili Group Holdings Company Limited | Interest in a controlled corporation *(Note 4)* | 3,514,336,975 (L) | 41.75% |
| Win Spread Limited | Interest in a controlled corporation *(Note 4)* | 3,514,336,975 (L) | 41.75% |

# Report of the Directors

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

*Notes:*

(1) The letter "L" denotes the person's long position in such shares and the letter "S" denotes the person's short position in such shares.

(2) Among 2,111,021,532 shares of the Company deemed to be interested by Mr. Dai Yongge, 15,912,000 shares are held by Gloss Season Limited ("Gloss Season"), which is held as to 100% by Mr. Dai Yongge, he is deemed to be interested in the shares held by Gloss Season; 2,011,810,466 shares are held by Super Brilliant Investments Limited ("Super Brilliant") and Super Brilliant is wholly owned by Shining Hill Investments Limited ("Shining Hill"). Mr. Dai Yongge is interested in the entire issued share capital of Shining Hill which is in turn interested in the entire issued share capital of Super Brilliant and therefore, Mr. Dai Yongge and Shining Hill are deemed to be interested in the shares held by Super Brilliant; 83,299,066 shares are held by Wealthy Aim Holdings Limited ("Wealthy Aim"). As the entire issued share capital of Wealthy Aim is held by Broad Long Limited, which is held as to 100% by Mr. Dai Yongge, he is deemed to be interested in the shares held by Wealthy Aim.

(3) Mr. Dai Yongge is deemed to have interests in the shares held by his spouse, Ms. Zhang Xingmei.

(4) Ms. Zhang Xingmei holds the entire issued share capital of Win Spread Limited ("Win Spread"). Win Spread holds the entire issued share capital of Dili Group Holdings Company Limited ("Dili Group Holdings"). Dili Group Holdings holds the entire issued share capital of Shouguang Dili Agri-products Group Company Limited ("Shouguang Dili"). Shouguang Dili holds the entire issued share capital of New Amuse Limited ("New Amuse"). New Amuse beneficially holds 3,514,336,975 shares of the Company, accordingly, each of Ms. Zhang Xingmei, Win Spread, Dili Group Holdings and Shougang Dili is deemed to be interested in the 3,514,336,975 shares held by New Amuse.

(5) Ms. Zhang Xingmei is deemed to have interests and short positions in the shares held by her spouse, Mr. Dai Yongge.

Save as disclosed above and so far as the Directors are aware of, as at 31 December 2020, there was no other person, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

## Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

# Report of the Directors

## Issue of Securities

### 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 ordinary shares of the Company of HKD0.10 each (the "Shares") had been immediately allotted and issued to New Amuse by the Company. Details of which are set out under the sub-section headed "Connected Transaction—Hada Acquisition" of this annual report below.

### Share Subscription

On 25 December 2020, the Company entered into a subscription agreement (the "Subscription Agreement") with Nelson Innovation Limited ("Nelson Innovation"), a wholly-owned subsidiary of JD.com, Inc. ("JD.com") which is an exempted company incorporated under the laws of the Cayman Islands and 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 (stock code: 9618). Pursuant to which, the Company has conditionally agreed to allot and issue 478,067,066 Shares to Nelson Innovation at a price of HKD1.67 per Share under the general mandate in respect of the issue of new Shares granted by the Shareholders at the annual general meeting of the Company held on 19 May 2020. The subscription price represented a discount of approximately 16.50% to the closing price of HKD2.00 per Share as quoted on the Stock Exchange on the 24 December 2020, the last trading day before entering into the Subscription Agreement (the "Subscription").

The Board was of the view that the Subscription represented 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, the Board believed that the Subscription will also create synergies between the businesses of the Group and JD.com and facilitate future development and business growth of the Group. The gross proceeds and the estimated net proceeds (after deduction of the relevant expenses and fees) from the Subscription would be HKD798,372,000 and approximately HKD796,572,000, 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 at 31 December 2020, the Subscription was yet to complete and accordingly, none of the proceed was received from the Subscription during the year ended 31 December 2020. The Subscription was completed on 4 February 2021 and 478,067,066 Shares had been issued to Nelson Innovation on the same date.

# Report of the Directors

## Share Award Scheme

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

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

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

Up to 31 December 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.

## Directors' Interest in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# Report of the Directors

## Connected Transactions and Continuing Connected Transactions

### Connected Transactions

Details of the connected transactions during the year ended 31 December 2020 are as follows:

*A. Hada Acquisition*

On 27 April 2020, Yield Smart Limited ("Yield Smart", a wholly-owned subsidiary of the Company) as purchaser and New Amuse Limited ("New Amuse", a substantial shareholder of the Company) as vendor entered into a deed of amendment (the "Deed of Amendment") to amend the terms of an acquisition agreement entered into between Yield Smart and New Amuse on 5 June 2018 in relation to the acquisition of the land and properties of 7 existing agriculture wholesale markets operated by the Group. 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 (the "Shouguang Landlord Entity"); 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 completion of Hada Acquisition took place on 21 August 2020 and accordingly, the convertible bond of the principal amount of HKD4,405,286,344 (equivalent to RMB4 billion) for the settlement of the consideration was issued in favour of New Amuse. 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. Details of which can be referred to the circular of the Company dated 29 May 2020.

As New Amuse was a connected person of the Company under the Listing Rules and hence, Hada Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

*B. Shouguang Framework Lease Agreement*

Pursuant to the Deed of Amendment entered into between Yield Smart and New Amuse on 27 April 2020, the Hada Acquisition had excluded the Shouguang Landlord Entity. For the on-going operation of the Shouguang Market by the Group upon the completion of Hada Acquisition, Able Vantage Limited ("Able Vantage", a wholly-owned subsidiary of New Amuse and as immediate shareholder of Shouguang Landlord Entity) and Sure Cheer Limited ("Sure Cheer", a wholly-owned subsidiary of Yield Smart and as immediate shareholder of the company operating the Shouguang Market (the "Shouguang Operating Company"), entered into Shouguang Framework Lease Agreement on 27 April 2020. Pursuant to which, Sure Cheer would procure the Shouguang Operating Company to enter into leasing contract with the Shouguang Landlord Entity for the leasing of the relevant properties (including land and buildings) in the PRC which are held by the Shouguang Landlord Entity and necessary for the on-going operations of the Shouguang Market.

## Connected Transactions and Continuing Connected Transactions *(Continued)*

### Connected Transactions *(Continued)*

*B. Shouguang Framework Lease Agreement (Continued)*

Details of the Shouguang Framework Lease Agreement are set out below:

| | |
|---|---|
| Date: | 27 April 2020 |
| Parties: | Able Vantage as lessor for itself and its subsidiaries<br>Sure Cheer as lessee for itself and its subsidiaries |
| Premises: | Certain land and properties in Shouguang Market, in Shouguang, Shandong Province of the PRC |
| Permitted Usage: | For operation of Shouguang Market for wholesaling and retailing of agricultural produce |
| Term: | Fixed term commencing from the date of the completion of Hada Acquisition and terminating on 31 December 2035, subject to the option to renew as described below |
| Annual Rent: | RMB15,750,000 per year commencing from the date of the completion of Hada Acquisition to 31 December 2021, exclusive of operating charges, property tax and other outgoings<br><br>For the annual rent of the rest of the term, please refer to the circular of the Company dated 29 May 2020 |
| Option to renew: | At the discretion of the lessee, the agreement can be renewed with RMB20,101,500 as the base rent with 5% increments for every three years for any renewed term |

The Shouguang Framework Lease Agreement came into force on 21 August 2020 upon the completion of Hada Acquisition. Details of which can be referred to the circular of the Company dated 29 May 2020.

As Able Vantage is indirectly wholly-owned by New Amuse, Able Vantage is a connected person of the Company under the Listing Rules and the entering into of the Shouguang Framework Lease Agreement between Able Vantage and Sure Cheer constituted a connected transaction of the Group. With the adoption of International Financial Reporting Standard 16, the lease under the Shouguang Framework Lease Agreement shall be recognised by the Group as right-of-use assets and classified as an acquisition of assets by the Group pursuant to the Listing Rules and hence, the Shouguang Framework Lease Agreement had been treated as an one-off connected transaction under the Listing Rules.

## Connected Transaction and Continuing Connected Transactions *(Continued)*

### Continuing Connected Transactions

Details of the continuing connected transactions during the year ended 31 December 2020 are as follows:

A. *The Framework Lease Agreement*

For the on-going operation of the markets of the Group in the PRC, New Amuse, as lessor, entered into a framework lease agreement (the "Framework Lease Agreement") with Yield Smart, as lessee, on 9 June 2015. Yield Smart became a subsidiary of the Company as a result of the completion of sale and purchase of the entire issued share capital of Yield Smart (the "Acquisition") contemplated under an acquisition agreement entered into between New Amuse and the Company on 9 June 2015 (the "Acquisition Agreement"). Pursuant to the Framework Lease Agreement, Yield Smart would procure the new PRC operating companies owned by Yield Smart (the "New PRC Operating Companies") under the Acquisition Agreement to enter into the leasing agreements with the various PRC operating subsidiaries of New Amuse which engaged in operation of eight markets in six cities in the PRC (the "PRC Vendors") upon completion of the Acquisition (the "Completion") in respect of the leasing of the relevant properties (including land and buildings) which were all held by the PRC Vendors, necessary for the on-going operation of the markets of the Group in the relevant locality.

Particulars of the Framework Lease Agreement are set out below:

| | |
|---|---|
| Transaction Date: | 9 June 2015 |
| Parties: | New Amuse as lessor |
| | Yield Smart as lessee |
| Premises: | Certain land and properties in each of the six cities in the PRC namely Harbin, Qiqihar, Shenyang, Guiyang, Mudanjiang and Shouguang |
| Permitted Usage: | For operation of the aforesaid eight markets for wholesaling and retailing of agricultural produce |
| Term: | Fixed term of 20 years commencing from the date of the Completion and shall terminate on 31 December 2035, subject to the option to renew as described below |
| | During the Term, New Amuse (as lessor) and Yield Smart (as lessee) would procure the New PRC Operating Companies to enter into the leasing agreements with the PRC Vendors in respect of the leasing of the premises stipulated above |
| Annual Rent: | RMB100 million per year commencing from the date of the Completion to 31 December 2018 and RMB105 million per year from 1 January 2019 to 31 December 2021, exclusive of operating charges, property tax and other outgoings |
| | For the annual rent of the rest of the term, please refer to the circular of the Company dated 29 June 2015 |
| Option to Renew: | At the discretion of Yield Smart or the relevant entity of the target group (being part of the enlarged group post Completion), the agreement can be renewed with RMB134.01 million as the base rent with 5% increments for every three years for the renewed term |

# Report of the Directors

## Connected Transaction and Continuing Connected Transactions *(Continued)*

### Continuing Connected Transactions *(Continued)*

A. *The Framework Lease Agreement (Continued)*

As New Amuse is now the controlling Shareholder, accordingly, New Amuse is a connected person of the Company under the Listing Rules and the transactions mentioned above constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules and require disclosures in the Company's annual report. The price and terms of such transactions have been determined in accordance with pricing policies and guidelines set out in relevant announcements.

Immediately following the completion of Hada Acquisition, the Framework Lease Agreement was no longer required and was terminated on 21 August 2020.

B. *The Loan Agreement and the Supplemental Agreement*

On 29 August 2019, Harbin Dili Agricultural Produce and Side Products Co., Ltd. *（哈爾濱地利農副產品有限公司）("Harbin Dili", a wholly-owned subsidiary of the Company) as lender and Harbin Dili Fresh Agricultural Produce Enterprise Management Co., Ltd. *（哈爾濱地利生鮮農產品企業管理有限公司）("Dili Fresh", a wholly-owned subsidiary of Million Master) as borrower entered into a loan agreement (the "Loan Agreement") in respect of a revolving facility for the principal amount of not exceeding RMB2 billion (the "Loan"). Dili Fresh Acquisition is the transaction contemplated under an acquisition agreement entered into between Yield Smart and Plenty Business Holdings Limited ("Plenty Business, a company wholly-owned by Mr. Dai Yongge, a controlling shareholder of the Company) on 29 August 2019 in respect of the acquisition of 19% equity interest in Million Master Investment Limited ("Million Master") by Yield Smart from Plenty Business. Details of which are set out in the circular of the Company dated 30 September 2019.

On 13 March 2020, Harbin Dili and Dili Fresh further entered into a supplemental agreement (the "Supplemental Agreement") to amend certain terms of the Loan Agreement. Pursuant to which, Harbin Dili or members of the Group may provide guarantees at the requests of third-party banks in respect of the bank loans which Dili Fresh or the Dili Fresh Group may obtain from third-party banks from time to time, at a guarantee fee chargeable to Dili Fresh or the Dili Fresh Group.

* *For identification purpose only*

# Report of the Directors

## Connected Transaction and Continuing Connected Transactions *(Continued)*

### Continuing Connected Transactions *(Continued)*

*B. The Loan Agreement and the Supplemental Agreement (Continued)*

Particulars of the Loan Agreement (as amended by the Supplemental Agreement) are set out below:

| | |
|---|---|
| Dates: | 29 August 2019 (Loan Agreement)<br><br>13 March 2020 (Supplemental Agreement) |
| Parties: | Harbin Dili as lender<br><br>Dili Fresh as borrower |
| Limit: | The amount guaranteed by Harbin Dili or the Group and the principal amount of the Loan outstanding in aggregate shall not exceed RMB2 billion |
| Availability period: | The period commencing on the 11th business day after the board of directors of Harbin Dili has accepted the drawdown request from Dili Fresh and ending on the third anniversary of the completion of Dili Fresh Acquisition |
| Maturity date: | The earlier of:<br><br>(i) 31 December 2023;<br><br>(ii) the exercise of the put option pursuant to the Dili Fresh acquisition agreement; and<br><br>(iii) third anniversary from drawdown, provided that Dili Fresh may pre-pay any outstanding principal amount and/or interest(s) at any time prior to the maturity date |
| Interest rate: | The rate of interest applicable to the Loan or any outstanding balance thereof shall be the higher of:<br><br>(i) 6% per annum, which is determined with reference to the prevailing interest rate(s) in the market; and<br><br>(ii) the interest rate(s) at which Harbin Dili or the Group borrows from third-party banks |
| Interest period: | 12 months |

# Report of the Directors

## Connected Transaction and Continuing Connected Transactions *(Continued)*

### Continuing Connected Transactions *(Continued)*

B. *The Loan Agreement and the Supplemental Agreement (Continued)*

| | |
|---|---|
| Guarantee fee: | The guarantee fee shall be the higher of:<br>(i) 2% per annum; and<br>(ii) the difference between 6% per annum and the actual interest rate per annum on which Dili Fresh or the Dili Fresh Group borrows from third-party banks |
| Annual caps for the aggregate of the interest amount and guarantee fee: | RMB50 million commencing from the drawdown of the Loan to 31 December 2019 and RMB200 million for the financial years ending 31 December 2020, 2021, 2022 and 2023 |
| Security: | The Loan was secured by:<br>(i) the share charge in relation to the remaining 81% of the issued share capital of Million Master and the guarantee provided by Plenty Business; and<br>(ii) the share charge in relation to all the shares of Plenty Business and the guarantee provided by Mr. Dai Yongge,<br>both in favour of Yield Smart and will be released in the event of the exercise of the call option pursuant to the Dili Fresh acquisition agreement in full<br>If the guarantees provided by the Group are enforced by third-party banks, the Dili Fresh Group shall indemnify the Group for its guaranteed obligations, failing which, the Group may enforce the share charges and guarantees against Plenty Business and Mr. Dai Yongge which secure obligations of the Dili Fresh Group under the Supplemental Agreement as back to back security |
| Purpose: | The Loan may be used for:<br>(i) expanding the network of the Dili Fresh stores and the franchise business;<br>(ii) investing in online e-commerce platform; and<br>(iii) as general working capital of Million Master and its subsidiaries |

Following the completion of Dili Fresh Acquisition, Million Master is owned as to 19% by Yield Smart and 81% by Plenty Business respectively and hence, Million Master is a connected person of the Company and a commonly held entity (as defined under the Listing Rules) upon the aforesaid completion. The Loan advanced under the Loan Agreement, which is not proportion to the equity interest of Yield Smart in Million Master, constitutes a continuing connected transaction of the Company and non-exempt financial assistance to Plenty Business and Dili Fresh under Chapter 14A of the Listing Rules. Accordingly, such transaction requires to be disclosed in the Company's annual report.

## Connected Transaction and Continuing Connected Transactions *(Continued)*

### Continuing Connected Transactions *(Continued)*

B. *The Loan Agreement and the Supplemental Agreement (Continued)*

The Supplemental Agreement constitutes a material amendment to the Loan Agreement which is a continuing connected transaction of the Company and non-exempt financial assistance to Plenty Business and Million Master which was approved by the then independent shareholders of the Company at the extraordinary general meeting of the Company held on 29 October 2019. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed annual caps for the aggregate of the principal amount of the Loan outstanding and the guaranteed amount, and the aggregate of the interest amount and guarantee fee accruing under the Loan Agreement as amended by the Supplemental Agreement exceeds 5%, the transactions under the Supplemental Agreement is also required to be disclosed in the Company's annual report.

As at 31 December 2020, the aggregate amount of the Loan and the guarantee provided to Dili Fresh Group was RMB845.0 million in which (i) the total amount drawndown by Dili Fresh was RMB680.0 million and was funded by internal resources of the Group, at interest rate of 6% per annum, with the interest income on the Loans in the amount of RMB31.4 million for the year ended 31 December 2020; and (ii) the guarantee amount provided by the Group to Dili Fresh Group was RMB165.0 million with guarantee fee charged in the range of 2% to 2.95% per annum, with the financial guaranteed income in the amount of RMB4.1 million for the year ended 31 December 2020.

C. *The Framework Agreement for the supply of Agricultural Produce and Food Products*

The Group's long-term goal is to establish a brand new fresh food distribution platform featuring the "Production — Distribution — Retail" all-in-one concept. The acquisition of interest in Dili Fresh in 2019 was the first step and touchstone for expanding the Group's business downstream into the retail end and the entering into of the framework agreement by the Company with Dili Fresh and Liaoning Dili Fresh Agricultural Produce and Side Products Co., Ltd.* (遼寧地利生鮮農副產品有限公司) ("Liaoning Fresh", a wholly-owned subsidiary of Million Master) on 11 September 2020 for the supply of agricultural produce and food products (the "Framework Agreement") is a further step by the Group in extending its capabilities into supply chain and logistics management. In addition, it is part of the Group's transformation strategies from a "conventional property developer for fresh agriculture product" to "an advanced fresh food distribution service provider and supplier", striving to increase the overall efficiency and benefit of fresh distribution and supply in China. To the effect that Dili Fresh's sizeable consumption of fresh food products will create a stable demand for supply chain services, which will support the scale and continuous growth for the Group's supply chain service business. The synergies created with Dili Fresh also provide a competitive edge for the Group's position within the fresh food industry in China.

* *For identification purpose only*

# Report of the Directors

## Connected Transaction and Continuing Connected Transactions *(Continued)*

### Continuing Connected Transactions *(Continued)*

C. *The Framework Agreement for the supply of Agricultural Produce and Food Products (Continued)*

Details of the Framework Agreement are set out below:

| | |
|---|---|
| Transaction Date: | 11 September 2020 |
| Parties: | (a) the Company (for itself and on behalf of its subsidiaries)<br>(b) Dili Fresh (for itself and on behalf of its subsidiaries); and<br>(c) Liaoning Fresh (for itself and on behalf of its subsidiaries) |
| Supply of Agricultural Produce and Food Products: | Pursuant to the Framework Agreement, the Group will sell and supply to the Dili Fresh Group (i.e. Dili Fresh, Liaoning Fresh and each of their subsidiaries), and the Dili Fresh Group will 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. Under the terms of the Framework Agreement, the Dili Fresh Group 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 |
| Term: | A term commencing from 1 November 2020 and ending on 31 December 2022, subject to renewal upon expiry of the Framework Agreement at the discretion of the Company on terms to be agreed |
| Annual caps for the maximum transaction amounts: | RMB197,000,000 from the date of 1 November 2020 to 31 December 2020; RMB1,988,000,000 from 1 January 2021 to 31 December 2021; RMB3,067,000,000 from 1 January 2022 to 31 December 2022 |

Each of Dili Fresh and Liaoning Fresh is a wholly-owned subsidiary of Million Master, of which 19% is owned by Yield Smart and 81% is owned by Plenty Business, and hence, is a connected person of the Company. As a result, the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed annual caps for the transactions contemplated under the Framework Agreement exceeds 5%, the transactions under the Framework Agreement is also required to be disclosed in the Company's annual report.

As at 31 December 2020, the supply chain business between the Group and the Dili Fresh Group was not yet commenced.

## Connected Transaction and Continuing Connected Transactions *(Continued)*

### Continuing Connected Transactions *(Continued)*

The aforesaid continuing connected transactions have been reviewed by the independent non-executive Directors who have confirmed that the transactions were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with relevant agreements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditors of the Company have performed certain pre-determined procedures and reported their findings regarding the continuing connected transactions entered into by the Group set out above for the year ended 31 December 2020 and state that:

(1) nothing has come to their attention that causes them to believe that the above continuing connected transactions have not been approved by the Board;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the above continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) nothing has come to their attention that causes them to believe that the above continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the above continuing connected transactions have exceeded the maximum aggregate annual value as disclosed in the circulars dated 29 June 2015, 30 September 2019, 16 April 2020 and 30 October 2020, respectively, made by the Company in respect of the above continuing connected transactions.

Save as disclosed in the annual report, the Board confirmed that none of the related party transactions set out in note 29(b) to the financial statements constituted non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. During the year ended 31 December 2020, save as disclosed above, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this annual report pursuant to the Listing Rules.

The Group confirms that it will comply or continue to comply with the relevant provisions of Chapter 14A of the Listing Rules in relation to the continuing connected transactions of the Company.

# Report of the Directors

## Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 144 of this annual report.

## Retirement Schemes

The Group is required to make contributions to the retirement schemes at the rate ranges from 14% to 16% of the eligible employee's salaries. Particulars of these retirement schemes are set out in note 26 to the financial statements.

## 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

None of the Directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the year covered by this annual report, in compliance with the CG Code on Corporate Governance Practices.

## Auditors

The consolidated financial statements of the Group have been audited by KPMG, who shall retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM.

By order of the Board
**Wang Yan**
*Chairman*

Hong Kong, 30 March 2021

# Corporate Governance Report

## Introduction

The Company recognises the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve our image with effective corporate governance procedures.

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

## Compliance With The 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 have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2020.

## Directors' Training

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being as a director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interests and business of the Group. Such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors.

During the year, the Company continuously updated the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors were encouraged to participate in continuous professional development by attending seminars/in-house briefing/reading materials on different topics to develop and refresh their knowledge and skills.

## The Board

The Board is responsible for the leadership and control of the Company and overseeing the Group's business, strategic decisions and performances. The management is delegated with the authority and responsibility by the Board for the management of the Group. In addition, the Board has also established various Board committees since 25 August 2008 and has delegated various responsibilities to the Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"). All the Board committees perform their distinct roles in accordance with their respective terms of reference. Further details of the Board committees are set out hereunder.

# Corporate Governance Report

## The Board *(Continued)*

Most of the non-executive Directors and independent non-executive Directors are appointed for a term of one year, which are subject to retirement in accordance with the Articles. According to the Articles, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. Newly appointed Directors shall hold office until the next general meeting but be subject to re-election.

The Company has received from each of the independent non-executive Directors a confirmation of his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

The Board reviews its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

## Composition

The Board currently consists of 8 Directors as follows:

### Executive Directors

Wang Yan (Chairman)
Dai Bin (Chief Executive Officer)
Qin Xiang (Chief Operating Officer)

### Non-executive Director

Yin Jianhong

### Independent Non-executive Directors

Fan Ren-Da, Anthony
Wang Yifu
Leung Chung Ki
Tang Hon Man

All Directors have appropriate professional qualification or substantive experience and industry knowledge. The Board as a whole has achieved an appropriate balance of skills and experience. The Directors' biographies are set out under the section headed "Directors and Senior Management Profile" of this Annual Report and there is no relationship among members of the Board.

# Corporate Governance Report

## Chairman and Chief Executive Officer ("CEO")

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO is clearly established and set out in writing. In general, the Chairman is responsible for supervising the functions and performance of the Board, while the CEO is responsible for the management of the business of the Group.

Mr. Wang Yan is the Chairman of the Company and is responsible for formulating the overall development strategies and business plan of our Group and is instrumental to the Company's growth and business expansion since its establishment. Mr. Dai Bin is the Chief Executive Officer of the Company and is responsible for overseeing the management and strategic development of our Group.

During the year ended 31 December 2020, the Company held nine Board meetings, an AGM and two extraordinary general meetings ("EGMs") and attendance of each Director at the Board meetings and general meetings is set out below:

| **Name of Director** | **No. of Board meetings held during the Director's term of office in the relevant period** *(Note 1)* | **No. of Board meetings attended** *(Note 1)* | **Attendance rate of Board meetings** | **No. of general meetings attended/ No. of general meetings held during the Director's term of office in the relevant period** |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| Wang Yan | 9 | 9 | 100% | 3/3 |
| Dai Bin | 6 | 4 | 67% | 0/3 |
| Qin Xiang *(Note 2)* | 3 | 1 | 33% | 0/1 |
| **Non-executive Directors** | | | | |
| Yin Jianhong | 9 | 9 | 100% | 0/3 |
| Yang Yuhua *(Note 3)* | 8 | 8 | 100% | 0/2 |
| **Independent Non-executive Directors** | | | | |
| Fan Ren-Da, Anthony | 9 | 8 | 89% | 3/3 |
| Wang Yifu | 9 | 9 | 100% | 0/3 |
| Leung Chung Ki | 9 | 9 | 100% | 0/3 |
| Tang Hon Man | 9 | 9 | 100% | 0/3 |

*Notes:*

1. Exclude the Board meetings which the Director was required not to count in the quorum due to his/her material interest in the business considered at such Board meetings.

2. Was appointed on 1 June 2020.

3. Resigned on 29 September 2020.

# Corporate Governance Report

## Nomination Committee

The Company established a Nomination Committee on 25 August 2008 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and diversity of the Board, assessing the independence of independent non-executive Directors and providing recommendations to the Board on matters relating to the appointment of Directors. The Nomination Committee consists of Mr. Wang Yan, an executive Director, Mr. Tang Hon Man and Mr. Wang Yifu who are independent non-executive Directors, and is chaired by Mr. Tang Hon Man.

Below is the summary of the Board Diversity Policy:

The Company believes that having a diverse Board can enhance the quality of its performance. In this regard, the Company has developed a diversity policy for the Board, in terms of skills, experience, knowledge, expertise, culture, ethnicity, length of service, independence, age and gender. In addition, the Nomination Committee will hold discussions towards achieving the goal of Board diversification and provide recommendations to the Board for adoption.

The Company has also adopted the nomination policy (the "Nomination Policy") as set out below to ensure the composition of the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

Under the Nomination Policy, upon obtaining the required information from the candidate, the Nomination Committee shall convene a meeting to discuss and consider the recommendation of the candidate to the Board for appointment as a director by taking into account the criteria as set out below. The Board shall convene a meeting to make a final decision on the proposed appointment.

The criteria for assessing the suitability of a candidate shall include but not limit to his or her: (i) character and integrity; (ii) gender, age, professional experience, cultural and educational background, skills and knowledge under the diversity policy of the Board; (iii) potential contributions the candidate can bring to the Board and the commitment of time to be devoted to the Board; (iv) potential conflicts of interests arise; and (v) not being prohibited by law from being a director.

In case the candidate is proposed to be appointed as an independent non-executive director of the Company, his or her independence shall also be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive director with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

During the year ended 31 December 2020, the Nomination Committee held one meeting and the attendance is listed below:

| **Name of Nomination Committee Member** | **No. of meetings held during the year** | **No. of meetings attended** | **Attendance rate** |
|---|---|---|---|
| Tang Hon Man (Chairman) | 1 | 1 | 100% |
| Wang Yan | 1 | 1 | 100% |
| Wang Yifu | 1 | 1 | 100% |

# Corporate Governance Report

## Remuneration Committee

The Company established a Remuneration Committee on 25 August 2008 with written terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include providing recommendations to the Board on the Company's structure and policy for remuneration of Directors and senior management of the Company, determining the remuneration packages of individual executive Director and senior management of the Company, reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under share option scheme (if any). The Remuneration Committee of the Company consists of Mr. Wang Yan, an executive Director, Mr. Tang Hon Man and Mr. Wang Yifu who are independent non-executive Directors, and is chaired by Mr. Tang Hon Man.

During the year ended 31 December 2020, the Remuneration Committee held two meetings and the attendance is listed below:

| Name of Remuneration Committee Member | No. of meetings held during the year | No. of meetings attended | Attendance rate |
|---|---|---|---|
| Tang Hon Man (Chairman) | 2 | 2 | 100% |
| Wang Yan | 2 | 2 | 100% |
| Wang Yifu | 2 | 2 | 100% |

## Emolument Policy

The emolument policy of the employees of the Group is set up by the executive Directors on the basis of their merit, qualifications and competence.

The emolument of the Directors is determined by the Board after recommendation from the Remuneration Committee, having regard to the responsibilities of the Directors, the Company's operating results, individual performance and comparable market statistics.

Details of Directors' emolument during the year ended 31 December 2020 are set out in note 8 to the consolidated financial statements.

## Corporate Governance Function

The Board recognises that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

(a) to develop, review and implement the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors;

# Corporate Governance Report

## Corporate Governance Function *(Continued)*

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

(f) to develop, review and monitor the implementation of the Shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance Shareholders' relationship with the Company.

During the year ended 31 December 2020, the above corporate governance function has been performed and executed by the Board and the Board has reviewed the Company's compliance with the CG Code.

## Audit Committee

The Company established an Audit Committee on 25 August 2008 with written terms of reference in compliance with 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 of the Company currently consists of Mr. Yin Jianhong, a non-executive Director, Mr. Fan Ren-Da, Anthony and Mr. Wang Yifu who are independent non-executive Directors, and is chaired by Mr. Fan Ren-Da, Anthony. In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee has possessed the appropriate professional and accounting qualifications.

During the year ended 31 December 2020, there were two meetings held by the Audit Committee which the members of the audit committee discussed with KPMG about the arrangements of the Company's annual audit work and reviewed the annual results and interim results of the Group, as well as the relevant financial statements and reports and significant financial reporting judgments contained therein, as well as the internal control system and the Group's financial and accounting policies and practices. The attendance of the members at the Audit Committee meetings is presented hereinafter:

| Name of Audit Committee Member | No. of meetings held during the term of office of Audit Committee members in the relevant period | No. of meetings attended | Attendance rate |
|---|---|---|---|
| Fan Ren-Da, Anthony (Chairman) | 2 | 2 | 100% |
| Wang Yifu | 2 | 1 | 50% |
| Yin Jianhong *(Note 1)* | 0 | 0 | N/A |
| Yang Yuhua *(Note 2)* | 2 | 2 | 100% |

*Notes:*

1. Was appointed on 29 September 2020.

2. Resigned on 29 September 2020.

## Auditors' Remuneration

During the year ended 31 December 2020, the remunerations paid or payable to KPMG in respect of its audit services and non-audit services are RMB4,800,000 and RMB3,720,000 respectively. The non-audit services mainly included the independent review of the interim results of the Group for the six months ended 30 June 2020 and special project.

# Corporate Governance Report

## Accountability and Audit

The Directors acknowledged their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year under review.

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.

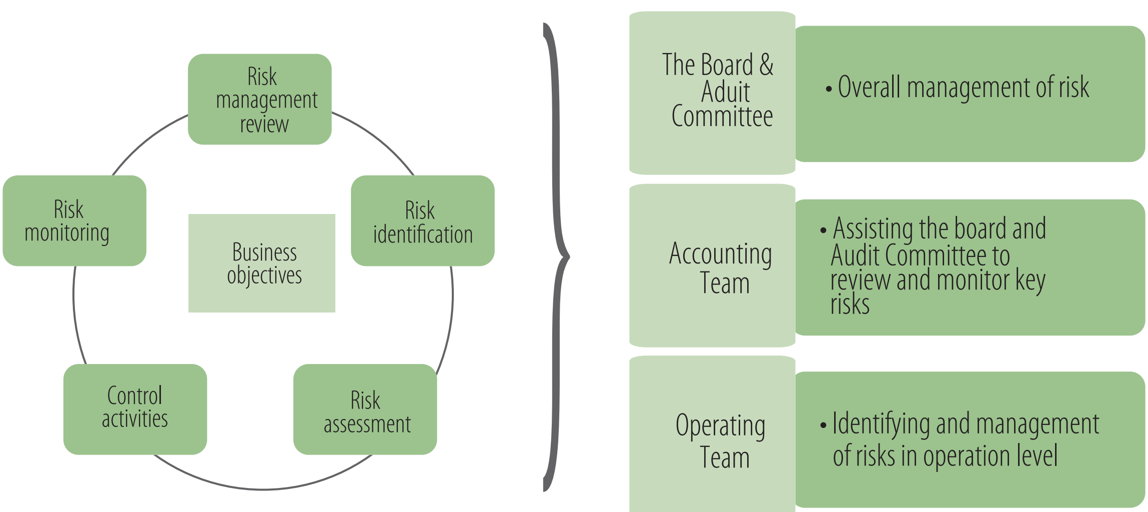
The Directors considered that the financial statements have been prepared in conformity with all appropriate accounting standards and requirements and reflected the amounts that were based on the best estimates and reasonable, informed and prudent judgment of the Board and the management of the Company with an appropriate enquiries, were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

## Risk Management and Internal Control

The Group established and maintained appropriate and effective risk management and internal control systems during the year ended 31 December 2020. While the management of the Group is responsible for implementing and maintaining sound risk management and internal control system that safeguard the Group's assets and stakeholders' interest in aspects including operation, financial and compliance. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

### Risk management process

The Group has established risk management manual to formulate the risk management process and the management of the Company is committed to fostering a risk aware and control conscious environment. The staff in all levels within the Group are also required to take the relevant responsibility on the risk management process. The structure and procedures for the risk management are as follows:



## Risk Management and Internal Control *(Continued)*

### Risk management process *(Continued)*

*Risk identification*: Both internal and external factors including economic, political, social, technology and environmental factors, laws and regulations, business objectives and stakeholders' expectation would be considered

*Risk assessment:* The risk identified would be assessed and rated based on the likelihood and impact to the achievement of the Group's objectives

*Control activities:* The internal control procedures have been designed and implemented to mitigate the risks

*Risk monitoring:* Risk register has been maintained and updated regularly to monitor risks on an ongoing basis

*Risk management review:* The Board and the Audit Committee would perform review on any change of significant risks of the Group

### Internal audit function

During the year ended 31 December 2020, a review of the effectiveness of the Group's risk management and internal control system which covers the aspects of the effectiveness of the Company's risk management and internal control system and management procedure, was conducted by our internal control department. Such review is conducted on an annual basis. The Board considered the risk management and internal control system of the Company to be effective and adequate.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

## Company Secretary

The Company Secretary is a full-time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board on governance matters. For the year ended 31 December 2020, the Company Secretary has taken no less than 15 hours of relevant professional training.

## Investor Relations, Communications with Shareholders and Shareholders' Rights

### Objective

The management of the Company believes that effective and proper investor relations play a vital role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company is committed to establish strategic communication channels to ensure the access of reliable corporate information by the shareholders, financial communities as well as the public.

### Communications with Shareholders

The Directors consider communication with the Shareholders are mainly in the following ways: (i) the holding of AGM and EGM which may be convened for specific purpose and can provide opportunities for the Shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and (iii) the upkeeping of the latest information of the Company's website at http://www.diligrp.com. Shareholders and investors are welcome to visit our website.

# Corporate Governance Report

## Investor Relations, Communications with Shareholders and Shareholders' Rights

*(Continued)*

### Shareholders' Rights

*(i)* *Procedures by which Shareholders can convene an EGM and procedures for putting forward proposals at the general meetings*

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

*(ii)* *Shareholders' enquiries*

Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders may also make enquiries in writing to the principal place of business of the Company in Hong Kong.

### Information Disclosure

Currently, the Company discloses information in compliance with the securities regulations of the Stock Exchange, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. Our primary focus is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public, to make rational decisions that should result in the Company's securities trading at fair value over the long term.

## Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

| | |
|---|---|
| Mailing Address: | Room 4205-10, 42/F, China Resources Building,<br>26 Harbour Road, Wanchai, Hong Kong |
| Email: | ir@dili.com.hk |

## Changes in Constitutional Documents

During the year ended 31 December 2020, the Company did not make any significant changes to its constitutional documents.

# Environmental, Social and Governance Report

## A. Environment

Environmental protection is one of the basic requisites for sustainable development of enterprises. We attach great importance to the protection of the ecological environment. We commit ourselves to energy-saving and emission reduction in all aspects of operation and various business processes, so as to strive to achieve the sustainable corporate development on the environmental friendly basis.

All the operating facilities of the Company are designed and constructed in accordance with the national energy-saving building standards. Equipment used for our business operation are procured in accordance with national energy-saving requirements, and energy consumption of all equipment are in line with national energy-saving standards. For instance, electric vehicles are used inside the market.

### 1. Emissions

Our main business is the operation of agriculture wholesale markets, as such, there is no industrial exhaust gas, waste water or solid waste emissions.

(1) Waste: Perished fruits and vegetables are the only main waste resulted from the operations of our agriculture wholesale markets, and they can be naturally degraded and are recyclable. All our markets entrust professional companies to carry out regular disposal of wastes in the markets to keep the market clean and tidy.

(2) Waste water: Waste water in the agricultural trading market is mainly from domestic water use and a small amount of operational water use. There is no bulk waste water emission or disposal.

(3) Exhaust gases: There is mainly no emissions of a large amount of greenhouse gases or other exhaust gases.

### 2. Use of Resources

All the agriculture wholesale markets were designed and planned in accordance with the energy-saving and water-saving requirements during the project approval and construction phases. During the daily operation, corresponding energy-saving and water management systems have been developed and implemented to improve resource efficiency and reduce resource consumption and environmental costs.

(1) Electricity: During the year ended 31 December 2020, the Group's electricity consumption is as follows:

| | Used by the Group (kWh) | | Used by the tenants (kWh) | | Total consumption (kWh) | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| PRC | **52,495,399** | 51,459,588 | **43,585,276** | 43,182,073 | **96,080,675** | 94,641,661 |
| Hong Kong | **60,041** | 42,110 | **–** | – | **60,041** | 42,110 |

Our major electricity consumptions are for the lighting in the wholesale markets and for the general office use. All our wholesale markets use LED energy-saving lighting to reduce electricity consumption. The storage facilities in the markets are also in line with the national energy-saving standards. The planning, design and construction of storage facilities including cool and temperature-controlled storage have reached the domestic advanced level with good energy-saving performance. We conduct power-saving campaigns among vendors on a regular basis to encourage vendors in the markets to save electricity.

# Environmental, Social and Governance Report

## A. Environment *(Continued)*

### 2. Use of Resources *(Continued)*

(2) Water: During the year ended 31 December 2020, the Group's water consumption is as follows:

| | Used by the Group Cubic metres | | Used by the tenants Cubic metres | | Total consumption Cubic metres | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| Running water consumption | **1,270,981** | 926,969 | **985,465** | 1,103,774 | **2,256,446** | 2,030,743 |

The main operational use of water in the wholesale markets are for cleaning purposes with a small proportion of domestic water use. Most of the floor surface in the wholesale markets have been paved with concrete, plus the advanced dustproof steel structure ceiling, leading to efficient operational water saving. We also organized water-saving campaigns in various markets.

(3) Others: The Group fully promotes electronic settlement system in the markets step by step, largely reducing paper consumption. In the meantime, we also promote digitalized office operation and implemented environmental friendly measures including energy-saving and paper-recycling policies in our offices.

## B. Social

### I. Employment and Labor Practices

*1. Employment*

We provide market competitive salaries and favorable performance bonuses, which are distributed according to the equitable and incentive performance bonus measures by linking up the overall operational profitability of the Company to individual employee performance, thereby repaying employee with excellent performance.

We prepared and implemented employee management measures, which set out the human resources policies covering compensation and dismissal, recruitment and promotion, working hours, rest periods and other benefits and welfares. We always respects and strictly complies with all applicable labor laws and regulations in both Hong Kong and the PRC.

As of 31 December 2020, we have 2,512 full-time employees consisting of 2,468 Mainland China employees and 44 Hong Kong employees, among which the proportions of male and female workers are 68% and 32% respectively and the proportions of employees aged under 30, aged 30 to 50 and aged above 50 are 13%, 67% and 20% respectively.

We recognise the diversity of our employees' background, and do not have any discrimination against any potential employee of the Group on gender, age, family, marriage status or disability during recruitment.

# Environmental, Social and Governance Report

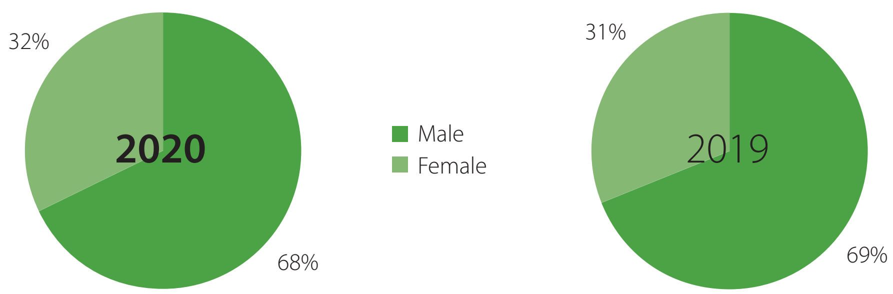
## B. Social *(Continued)*

### I. Employment and Labor Practices *(Continued)*

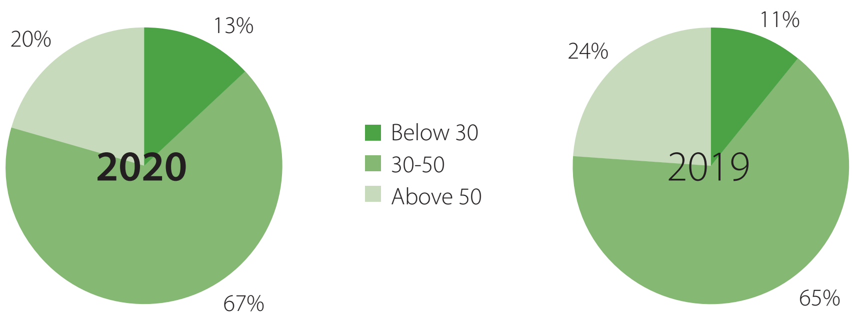
#### 1. *Employment (Continued)*

The total employees breakdown of the Group by gender, age group and geographical region as at 31 December 2020 are set out as follows:

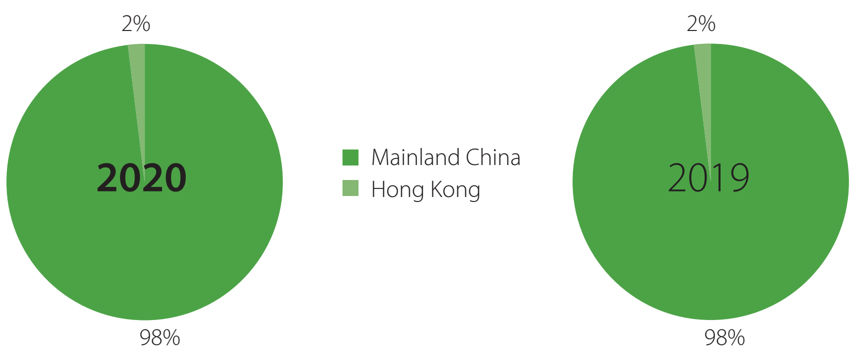
**By Gender**




**By Age Group**




**By Geographical Region**



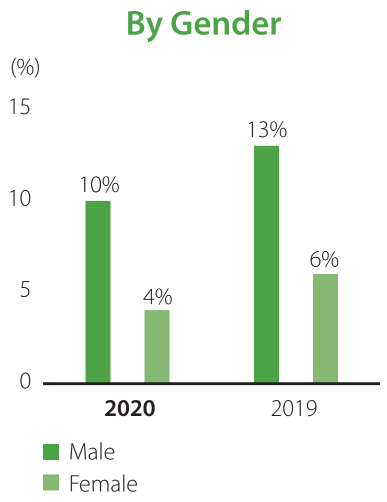
# Environmental, Social and Governance Report

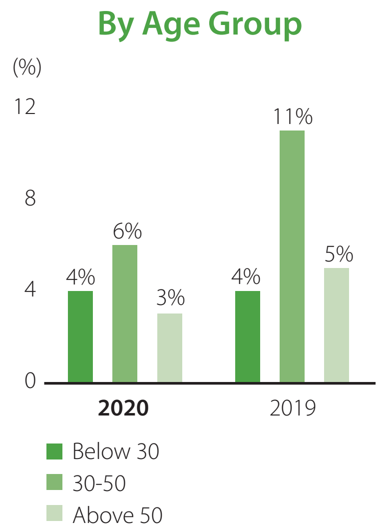
## B. Social *(Continued)*

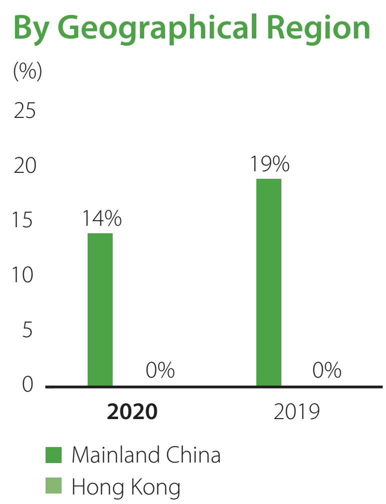
### I. Employment and Labor Practices *(Continued)*

#### 1. *Employment (Continued)*

The overall employee turnover rate of the Group by gender, age group and geographical region for the year ended 31 December 2020 are set out as follows:



# Environmental, Social and Governance Report

## B. Social *(Continued)*

### I. Employment and Labor Practices *(Continued)*

2. *Health and Safety*

We stress great importance on employee health and safety, hence the Group has established a safety production operation policy. In order to enhance employee's daily safety awareness and prevent the occurrence of serious occupational disasters, we put forth self-management to eliminate potential hazards and prevent occupational disasters and implement policies in emphasizing safety importance within the market and advocate the management measures in handling safety issues. Such measures will eradicate the occurrence of industry safety incidents, and even if so, immediately after any event, the reporting system will initiate and report to the relevant department and the chairman. We strictly complies with all applicable laws and regulations in related to health and safety working environment in both Hong Kong and the PRC.

We fix our office hours in strict accordance with the relevant employment laws and regulations in both Hong Kong and the PRC. We also provide medical examinations for our employees every year while the Group will contribute to various social and medical insurances and provident fund for our staff according to national standards and provide holiday allowances for our staff.

Our business involves no high-risk operations, and the work environment is free from dust, chemical or physical radiation or other pollutions.

We have also set up guidance for work arrangements in emergencies, such as typhoons and rainstorm warnings. In response to the outbreak of COVID-19, we have taken precautionary measures at our workplaces to avoid the risk of infection. We have installed air defenders and hand disinfectors, provided surgical masks, require staff wear surgical mask in the workplaces.

The information of staff injury and fatality of the Group that are due to work for the year ended 31 December 2020 are set out as follows:

| | **2020** | 2019 | 2018 |
|---|---|---|---|
| Number of working-related fatalities | **1 case** | 0 case | 0 case |
| Rate of work-related fatalities | **0%** | 0% | 0% |
| Number of working-related injury | **1 case** | 7 cases | 3 cases |
| Lost days due to work injury | **339 days** | 341 days | 146 days |

# Environmental, Social and Governance Report

## B. Social *(Continued)*

### I. Employment and Labor Practices *(Continued)*

#### 3. *Development and Training*

We recognise the value of providing personal and career development opportunities for our employees, thereby increasing the attractiveness of jobs and enhancing job satisfaction. As a result, a wide range of trainings, including new employee induction training, managerial training, business training and professional training, are provided for management positions and general staff.

The percentage of employees trained and the average training hours completed per employee by gender and employee category of the Group for the year end 31 December 2020 are set out as follows:

**Employees Trained by Gender**

| | Male | Female | Total |
|---|---|---|---|
| **2020** | | | |
| Number of employees at end of period | 1,696 | 816 | 2,512 |
| Average training hours completed | 12 | 12 | 12 |
| Percentage of employees trained | 96% | 96% | 96% |
| **2019** | | | |
| Number of employees at end of period | 1,661 | 747 | 2,408 |
| Average training hours completed | 9 | 9 | 9 |
| Percentage of employees trained | 80% | 86% | 82% |

**Employees Trained by Employee Category**

| | Senior Management | Manager | General Staff | Total |
|---|---|---|---|---|
| **2020** | | | | |
| Number of employees at end of period | 137 | 399 | 1,976 | 2,512 |
| Average training hours completed | 19 | 18 | 10 | 12 |
| Percentage of employees trained | 96% | 83% | 99% | 96% |
| **2019** | | | | |
| Number of employees at end of period | 132 | 383 | 1,893 | 2,408 |
| Average training hours completed | 17 | 10 | 8 | 9 |
| Percentage of employees trained | 96% | 89% | 80% | 82% |

## B. Social *(Continued)*

### I. Employment and Labor Practices *(Continued)*

4. *Labor Standards*

We, in full compliance with all labor regulations in all places of employment, strictly prohibit the employment of child labor and forced labor and ensures that it contributes to social insurance and provident fund for our employees in accordance with the requirements of the relevant laws and regulations in both Hong Kong and the PRC. We recruit staff according to the job requirements and strictly prohibits sexual discrimination. We will review the overall recruitment practices from time to time to prevent child labor, forced labor and other potential illegal incidents.

### II. Operating Practices

1. *Supply Chain Management*

Procurement of most products and services used in our business operation are carried out through tender, strictly following competitive bidding process and implementing a set of supplier management and assessment measures to ensure the quality of products and services, as well as the professionalism during the fulfilment process.

As our business involves primary agricultural produce, there is no risk of industrial pollution, and the Group conducted regular daily waste disposal for the markets. Therefore, there is no relevant environmental risks.

Products involved in our operation are related to the daily life of the surrounding residents and the social function is relatively prominent, thus are free from big social risk. We receive strong support from the local government for operation of each markets.

2. *Product Responsibility*

Our main business is the operation of agriculture wholesale markets, and suppliers in the markets are mainly engaged in vegetables, fruits and other primary agriculture wholesale. So the first responsible person for all primary agricultural produce are individual business owners. The agriculture wholesale market has a great impact on the daily life of residents in the corresponding cities, and is an important part of the national "vegetable basket" project. Therefore, we set up agricultural produce testing centers in all our wholesale markets to conduct sampling inspection for all kinds of primary agricultural produce daily on site to eliminate defective products such as those with pesticide residues, and to ensure the safety of the "agricultural produce".

# Environmental, Social and Governance Report

## B. Social *(Continued)*

### II. Operating Practices *(Continued)*

3. *Anti-Corruption*

We strictly abide by all Hong Kong and China regulations on anti-corruption. We strictly prohibit any forms of bribery or corruption in the course of its operation, and remind our employees that they must avoid possible conflicts of interest and timely report to the Company for related matters.

We conduct systematic induction trainings for new recruits and include a non-competitive agreement and a confidentiality agreement in the labor contract to regulate employee behavior and avoid related risks.

According to the Company's staff handbook and management measures, no person is allowed to presume upon his position to demand and receive bribery or use improper measures to obtain benefits, and it is also not allowed to extortion, fraud and conduct money laundering activities. Once identified, the staff will be dismissed. If the case is significant, it will be reported to the police or judicial authority.

For the years ended 31 December 2019 and 2020, neither the Group nor their employees were involved in any legal cases of corruptible activities.

4. *Community Investment*

We organise a number of cultural and sports activities, including: monthly birthday celebrations for related employees, regular football and basketball games for our employees, and regular football matches watching activities. A great variety of activities greatly enhanced the cohesiveness between our employees and the Group.

# Independent Auditor's Report

**Independent auditor's report**
**to the shareholders of China Dili Group**
*(Incorporated in the Cayman Islands with limited liability)*

## Opinion

We have audited the consolidated financial statements of China Dili Group (the "Company") and its subsidiaries (the "Group") set out on pages 63 to 142, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Assessment of impairment of goodwill**

*Refer to Note 15 to the consolidated financial statements and the accounting policies in Note 2(f).*

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| As at 31 December 2020, goodwill, which arose from the acquisitions of agriculture wholesale markets business in 2015 (the "Dili Business") and 2020 (the "Hada Business"), the acquisition of three agriculture wholesale markets in Hangzhou (the "Hangzhou Business") in 2018, accounted for approximately 9.1% of the Group's total assets at that date.<br><br>The Dili Business and Hada Business are identified as one cash-generating unit ("CGU") (the "Dili and Hada Business") and the Hangzhou Business is identified as another separate CGU. Management compared the carrying amount of the CGUs with their respective recoverable amount, which were determined by assessing the value-in-use based on discounted cash flow forecasts.<br><br>The preparation of discounted cash flow forecasts involved the exercise of significant management judgement, in particular in forecasting revenue growth and operating profit and in determining appropriate discount rates. | Our audit procedures to assess impairment of goodwill included the following:<br><br>• Assessing the reliability of management's cash flow forecasting process by comparing the previous year's forecasts for the Dili and Hada Business and the Hangzhou Business with the current year's results, discussing significant variances with management and considering the effect of such variances on the current year's forecasts;<br><br>• Evaluating management's valuation methodology with reference to the requirements of the prevailing accounting standards, assessing the discount rates applied by comparison with the discount rates for similar companies in the same industry and assessing other key assumptions adopted in the cash flow forecasts based on available market information and by comparison with other companies in the same industry; |

## Key audit matters *(Continued)*

**Assessment of impairment of goodwill** *(Continued)*

*Refer to Note 15 to the consolidated financial statements and the accounting policies in Note 2(f). (Continued)*

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| We identified assessment of impairment of goodwill as a key audit matter because management's assessment of the value of the future cash flows expected to be derived from agriculture wholesale markets business involved certain critical judgements in respect of the assumptions made which are inherently uncertain and could be subject to the management bias. | • Obtaining management's sensitivity analysis and challenging the discount rates and other key assumptions to which the outcome of the impairment assessments was most sensitive, including forecasted revenue and forecasted profit margins, and considering if there was any indication of management bias in the selection of these assumptions; and<br><br>• Considering the disclosures in the consolidated financial statements in respect of the impairment assessments with reference to the requirements of the prevailing accounting standards. |

# Independent Auditor's Report

## Key audit matters *(Continued)*

**Expected credit loss allowance for other receivables**

*Refer to Notes 19 and 28(a) to the consolidated financial statements and the accounting policies in Notes 2(m) and 2(o).*

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| As at 31 December 2020, the Group has other receivables amounted to RMB1,209,555,000, which accounted for approximately 6.3% of the Group's total assets at that date, are carried at amortised cost and assessed for impairment under the expected credit loss ("ECL") model.<br><br>Under the ECL model, credit losses arise when there is a difference between the contractual cash flows due to the Group and the cash flows that the Group expects to receive. ECL allowances are measured at an amount equal to lifetime ECLs for other receivables where there has been a significant increase in credit risk of the other receivable since initial recognition. For other receivables where there has not been a significant increase in credit risk, allowances are measured at an amount equal to 12-month ECL. | Our audit procedures to assess ECL allowance for other receivables included the following:<br><br>• Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, segmentation of other receivables, debt collection and estimating the credit loss allowance;<br><br>• Evaluating the Group's policy for estimating the credit loss allowance with reference to the prevailing accounting standards;<br><br>• Obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by the management, including the basis of the segmentation of the other receivables based on credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate;<br><br>• Assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current market conditions and forward-looking information; |

# Independent Auditor's Report

## Key audit matters *(Continued)*

**Expected credit loss allowance for other receivables** *(Continued)*

*Refer to Notes 19 and 28(a) to the consolidated financial statements and the accounting policies in Notes 2(m) and 2(o). (Continued)*

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| In measuring ECLs, the Group takes into account information about past events, specific information of the debtors, current market conditions and forecasts of future economic conditions. Such assessment involves significant management judgement and estimation.<br><br>We identified assessment of ECL allowance for other receivables as a key audit matter because of the financial significance to the Group and the inherent uncertainty in management's exercise of judgement. | • Assessing whether items were correctly categorised in the other receivables aging report by inspecting, on a sample basis, contracts with debtors and the cash receipts of the transactions; and<br><br>• Re-performing the calculation of the loss allowance as at 31 December 2020 based on the Group's credit loss allowance policies. |

# Independent Auditor's Report

## Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# Independent Auditor's Report

## Auditor's responsibilities for the audit of the consolidated financial statements

*(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# Independent Auditor's Report

## Auditor's responsibilities for the audit of the consolidated financial statements

*(Continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is *Ng Kwok Keung*.

**KPMG**
*Certified Public Accountants*

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2021

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

| | Note | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|---|
| **Revenue** | 3(a) | **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 | 17(i) | **55,611** | (21,865) |
| Net valuation gain on investment properties | 13 | **–** | 243,422 |
| Net valuation loss on investment properties | 13 | **(73,481)** | – |
| Loss on settlement of pre-existing relationship | 5 | **(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 (RMB cents)** | 11 | **2.95** | 9.94 |

The notes on pages 71 to 142 form part of these financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

| | *Note* | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|---|
| **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 | *10* | **(21,279)** | 34,684 |
| **Total comprehensive income for the year** | | **182,041** | 605,139 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **172,928** | 591,969 |
| Non-controlling interests | | **9,113** | 13,170 |
| **Total comprehensive income for the year** | | **182,041** | 605,139 |

The notes on pages 71 to 142 form part of these financial statements.

# Consolidated Statement of Financial Position

At 31 December 2020

| | Note | 31 December 2020 RMB'000 | 31 December 2019 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | *12* | **7,448,617** | 4,778,359 |
| Investment properties | *13* | **6,729,300** | 4,768,900 |
| Intangible assets | *14* | **11,867** | 12,630 |
| Goodwill | *15* | **1,743,701** | 1,094,526 |
| Other assets | *17* | **981,152** | 927,677 |
| Other receivables | *19* | **509,158** | 255,460 |
| Deferred tax assets | *24(b)* | **13,209** | 601 |
| **Total non-current assets** | | **17,437,004** | 11,838,153 |
| **Current assets** | | | |
| Inventories | *18* | **52,532** | 44,337 |
| Other receivables | *19* | **700,397** | 948,968 |
| Other assets | *17* | **14,798** | 2,262 |
| Cash at bank and on hand | *20* | **914,653** | 671,619 |
| **Total current assets** | | **1,682,380** | 1,667,186 |
| **Current liabilities** | | | |
| Interest-bearing borrowings | *21* | **1,415,555** | 173,500 |
| Other payables | *22* | **1,046,560** | 860,281 |
| Lease liabilities | *23* | **52,957** | 125,617 |
| Taxation | *24(a)* | **134,607** | 114,698 |
| **Total current liabilities** | | **2,649,679** | 1,274,096 |
| **Net current (liabilities)/assets** | | **(967,299)** | 393,090 |
| **Total assets less current liabilities** | | **16,469,705** | 12,231,243 |

# Consolidated Statement of Financial Position

At 31 December 2020

| | Note | **31 December 2020 RMB'000** | 31 December 2019 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | *21* | **305,100** | 299,680 |
| Lease liabilities | *23* | **459,781** | 1,447,037 |
| Deferred tax liabilities | *24(b)* | **2,561,021** | 1,657,844 |
| Deferred income | | **39,053** | 2,404 |
| **Total non-current liabilities** | | **3,364,955** | 3,406,965 |
| **Net assets** | | **13,104,750** | 8,824,278 |
| **Capital and reserves** | | | |
| Share capital | *25(c)* | **719,779** | 478,794 |
| Reserves | *25(d)* | **12,093,033** | 8,134,133 |
| **Total equity attributable to equity shareholders of the Company** | | **12,812,812** | 8,612,927 |
| **Non-controlling interests** | | **291,938** | 211,351 |
| **Total equity** | | **13,104,750** | 8,824,278 |

Approved and authorised for issue by the board of directors on 30 March 2021.

**Wang Yan**
*Chairman*

**Dai Bin**
*Director*

The notes on pages 71 to 142 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

| | | Attributable to equity shareholders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB'000 | Share premium RMB'000 | Capital redemption reserve RMB'000 | Capital surplus RMB'000 | Statutory reserve fund RMB'000 | Shares held for share award scheme RMB'000 | Exchange reserves RMB'000 | Merger reserves RMB'000 | Accumulated losses RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| | | *25(c)* | *25(d)(i)* | *25(d)(ii)* | *25(d)(iii)* | *25(d)(iv)* | *25(d)(v)* | *25(d)(vi)* | *25(d)(vii)* | | | | |
| **Balance at 1 January 2019** | | 478,794 | 15,578,813 | 7,508 | 129,488 | 806,633 | (138,796) | (83,213) | 128,704 | (8,744,106) | 8,163,825 | 111,830 | 8,275,655 |
| **Changes in equity for 2019** | | | | | | | | | | | | | |
| Profit for the year | | – | – | – | – | – | – | – | – | 557,285 | 557,285 | 13,170 | 570,455 |
| Other comprehensive income | | – | – | – | – | – | – | 34,684 | – | – | 34,684 | – | 34,684 |
| Total comprehensive income | | – | – | – | – | – | – | 34,684 | – | 557,285 | 591,969 | 13,170 | 605,139 |
| Transfer to reserve fund | *25(d)(iv)* | – | – | – | – | 69,989 | – | – | – | (69,989) | – | – | – |
| Shares purchased for the share award scheme | *25(d)(v)* | – | – | – | – | – | (134,491) | – | – | – | (134,491) | - | (134,491) |
| Capital contribution | | – | – | – | – | – | – | – | – | – | – | 97,020 | 97,020 |
| Acquisition of non-controlling interests | *25(d)(iii)* | – | – | – | (8,376) | – | – | – | – | – | (8,376) | (4,669) | (13,045) |
| Dividends paid to non-controlling interests | | – | – | – | – | – | – | – | – | – | – | (6,000) | (6,000) |
| **Balance at 31 December 2019** | | 478,794 | 15,578,813 | 7,508 | 121,112 | 876,622 | (273,287) | (48,529) | 128,704 | (8,256,810) | 8,612,927 | 211,351 | 8,824,278 |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

| | Note | Share capital RMB'000 | Share premium RMB'000 | Capital redemption reserve RMB'000 | Capital surplus RMB'000 | Statutory reserve fund RMB'000 | Shares held for share award scheme RMB'000 | Exchange reserves RMB'000 | Merger reserves RMB'000 | Accumulated losses RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to equity shareholders of the Company | | | | | | | | | | | |
| | | *25(c)* | *25(d)(i)* | *25(d)(ii)* | *25(d)(iii)* | *25(d)(iv)* | *25(d)(v)* | *25(d)(vi)* | *25(d)(vii)* | | | | |
| **Balance at 1 January 2020** | | 478,794 | 15,578,813 | 7,508 | 121,112 | 876,622 | (273,287) | (48,529) | 128,704 | (8,256,810) | 8,612,927 | 211,351 | 8,824,278 |
| **Changes in equity for 2020** | | | | | | | | | | | | | |
| Profit for the year | | - | - | - | - | - | - | - | - | 194,207 | 194,207 | 9,113 | 203,320 |
| Other comprehensive income | | - | - | - | - | - | - | (21,279) | - | - | (21,279) | - | (21,279) |
| Total comprehensive income | | - | - | - | - | - | - | (21,279) | - | 194,207 | 172,928 | 9,113 | 182,041 |
| Transfer to reserve fund | *25(d)(iv)* | - | - | - | - | 62,218 | - | - | - | (62,218) | - | - | - |
| Issuance of convertible bond | *25(c)(ii)* | - | 3,103,678 | - | - | - | - | - | - | - | 3,103,678 | - | 3,103,678 |
| Conversion of convertible bond | *25(c)(ii)* | 240,985 | 694,748 | - | - | - | - | - | - | - | 935,733 | - | 935,733 |
| Shares purchased for the share award scheme | *25(d)(v)* | - | - | - | - | - | (12,454) | - | - | - | (12,454) | - | (12,454) |
| Capital contribution | | - | - | - | - | - | - | - | - | - | - | 80,474 | 80,474 |
| Dividends paid to non-controlling interests | | - | - | - | - | - | - | - | - | - | - | (9,000) | (9,000) |
| **Balance at 31 December 2020** | | 719,779 | 19,377,239 | 7,508 | 121,112 | 938,840 | (285,741) | (69,808) | 128,704 | (8,124,821) | 12,812,812 | 291,938 | 13,104,750 |

The notes on pages 71 to 142 form part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2020

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit for the year | | **203,320** | 570,455 |
| Adjustments for: | | | |
| Depreciation | *6(c)* | **301,716** | 285,474 |
| Net finance costs | *6(b)* | **68,262** | 41,758 |
| Net loss on disposal of property and equipment | *4* | **3,842** | 12,835 |
| Changes in fair value of investment properties | *13* | **73,481** | (243,422) |
| Loss on settlement of pre-existing relationship | *5* | **34,899** | – |
| Net unrealised (gain)/loss on financial assets measured at fair value through profit or loss | *17(i)* | **(55,611)** | 21,865 |
| Impairment loss on other receivables | | **15,830** | – |
| Government grant | *4* | **(16,546)** | (5,055) |
| Income tax | *7* | **151,201** | 234,995 |
| **Operating profit before changes in working capital** | | **780,394** | 918,905 |
| Increase in other receivables and other assets | | **(9,524)** | (21,167) |
| (Decrease)/increase in other payables | | **(215,510)** | 196,389 |
| Increase in inventories | | **(10,735)** | (7,938) |
| **Cash generated from operations** | | **544,625** | 1,086,189 |
| Income tax paid | *24(a)* | **(187,896)** | (217,116) |
| **Net cash generated from operating activities** | | **356,729** | 869,073 |
| **Investing activities** | | | |
| Acquisition of Hada Business, net of cash acquired | *5* | **1,411,290** | – |
| Proceeds from sale of financial assets measured at fair value through profit or loss | | **214,437** | 25,634 |
| Payment for purchase of financial assets measured at fair value through profit or loss | | **(214,000)** | (542,992) |
| Net proceeds from disposal of property and equipment | | **55,241** | 16,221 |
| Interest received | | **58,824** | 93,767 |
| Payment for purchase of property and equipment | | **(16,718)** | (191,282) |
| Payment for purchase of land use right | | **(294,297)** | (277,000) |
| Government grant received | | **14,654** | 4,254 |
| Payment for loans and advances to third parties | | **–** | (1,594,468) |
| Payment for loans to related parties | | **(445,000)** | (235,000) |
| Repayment of loans and advances to third parties | | **418,328** | 1,695,613 |
| Prepayment of deposits for acquisition of projects | | **–** | (175,000) |
| Repayment of deposits | | **25,000** | – |
| Decrease/(increase) in time deposits | | **20,000** | (20,000) |
| **Net cash generated from/(used in) investing activities** | | **1,247,759** | (1,200,253) |

# Consolidated Cash Flow Statement

For the year ended 31 December 2020

| | Note | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Capital element of lease rentals paid | | **(61,923)** | (102,002) |
| Interest element of lease rentals paid | | **(60,989)** | (79,858) |
| Purchase of shares for the share award scheme | | **(12,454)** | (134,491) |
| Repayment of interest-bearing borrowings | | **(1,584,386)** | (198,500) |
| Proceeds from interest-bearing borrowings | | **362,861** | 100,000 |
| Dividends paid to non-controlling interests | | **(9,000)** | (6,000) |
| Capital contribution received from non-controlling interests | | **80,474** | 97,020 |
| Payment for acquisition of non-controlling interests | | **–** | (13,045) |
| Interest paid | | **(53,761)** | (32,266) |
| **Net cash used in financing activities** | | **(1,339,178)** | (369,142) |
| **Net increase/(decrease) in cash and cash equivalents** | | **265,310** | (700,322) |
| **Cash and cash equivalents at 1 January** | | **651,619** | 1,354,070 |
| **Effect of foreign exchange rate changes** | | **(2,276)** | (2,129) |
| **Cash and cash equivalents at 31 December** | *20(a)* | **914,653** | 651,619 |

The notes on pages 71 to 142 form part of these financial statements.

# Notes to the Financial Statements

## 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 Significant accounting policies

### (a) 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"). Significant accounting policies adopted by the Group are disclosed below.

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. Note 2(c) provides 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 these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Group. The measurement basis used in the preparation of the financial statements is the historical cost basis, except for that the following assets are stated at their fair value as explained in the accounting policies set out below:

— investment properties, including interests in leasehold land and buildings held as investment properties (see Note 2(i));

— investments in equity securities (see Note 2(g)); and

— derivative financial instruments (see Note 2(h)).

## 2 Significant accounting policies *(Continued)*

### (b) Basis of preparation of the financial statements *(Continued)*

As at 31 December 2020, the Group 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 (see Note 31), 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.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 34.

### (c) 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:

# Notes to the Financial Statements

## 2 Significant accounting policies *(Continued)*

### (c) Changes in accounting policies *(Continued)*

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 (see Note 5).

### (d) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the functional currency of the subsidiaries carrying on the principal activities of the Group. The Company and its overseas subsidiaries' functional currency is Hong Kong dollar ("HKD"). Since the Group's operations are conducted in the PRC, the Group has adopted RMB as its presentation currency.

### (e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

# Notes to the Financial Statements

## 2 Significant accounting policies *(Continued)*

### (e) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(m)(iii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

### (f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(m)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

# Notes to the Financial Statements

## 2 Significant accounting policies *(Continued)*

### (g) Investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 28(e). These investments are subsequently accounted for as follows, depending on their classification.

*(i) Investments other than equity investments*

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(w)(v)).

— fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

*(ii) Equity investments*

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(w)(iv).

## 2 Significant accounting policies *(Continued)*

### (h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

### (i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment properties.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment properties is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 2(w)(i).

### (j) Property and equipment

The following items of property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(m)(iii)), including:

— right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

— items of equipment, including right-of-use assets arising from leases of underlying equipment (see Note 2(l)).

The cost of self-constructed items of property and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

## 2 Significant accounting policies *(Continued)*

### (j) Property and equipment *(Continued)*

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Buildings situated on freehold land are depreciated over their estimated useful life, being no more than 50 years after the date of completion

— Leasehold land is depreciated over the unexpired term of lease

— The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion

| | | |
|---|---|---|
| — | Machinery equipment | 5–10 years |
| — | Office equipment | 5–10 years |
| — | Vehicles | 5–20 years |

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

### (k) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(m)(iii)).

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

### (l) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

## 2 Significant accounting policies *(Continued)*

### (l) Leased assets *(Continued)*

*(i) As a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for right-of-use assets that meet the definition of investment properties which are carried at fair value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

# Notes to the Financial Statements

## 2 Significant accounting policies *(Continued)*

### (l) Leased assets *(Continued)*

*(i) As a lessee (Continued)*

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

*(ii) As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(w)(i).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(l)(i), then the Group classifies the sub-lease as an operating lease.

### (m) Credit losses and impairment of assets

*(i) Credit losses from financial instruments*

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents and other receivables); and

— lease receivables.

Other financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

# Notes to the Financial Statements

## 2 Significant accounting policies *(Continued)*

### (m) Credit losses and impairment of assets *(Continued)*

*(i) Credit losses from financial instruments (Continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

— lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

# Notes to the Financial Statements

## 2 Significant accounting policies *(Continued)*

### (m) Credit losses and impairment of assets *(Continued)*

*(i) Credit losses from financial instruments (Continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 2 Significant accounting policies *(Continued)*

### (m) Credit losses and impairment of assets *(Continued)*

*(i) Credit losses from financial instruments (Continued)*

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(w)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

*(ii) Credit losses from financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

## 2 Significant accounting policies *(Continued)*

### (m) Credit losses and impairment of assets *(Continued)*

*(ii) Credit losses from financial guarantees issued (Continued)*

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see Note 2(w)(vii)).

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(m)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

## 2 Significant accounting policies *(Continued)*

### (m) Credit losses and impairment of assets *(Continued)*

*(iii) Impairment of other non-current assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property and equipment, including right-of-use assets;

— intangible assets;

— goodwill; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

## 2 Significant accounting policies *(Continued)*

### (m) Credit losses and impairment of assets *(Continued)*

(iii) *Impairment of other non-current assets (Continued)*

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) *Interim financial reporting and impairment*

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(m)(i) and (iii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

### (n) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

# Notes to the Financial Statements

## 2 Significant accounting policies *(Continued)*

### (o) Other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(m)(i)).

### (p) Other payables

Other payables are initially recognised at fair value. Other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(m)(i).

### (r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, bank loans are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(y)).

### (s) Convertible notes that contain an equity component

Convertible notes that can be converted into ordinary shares at the option of the holder, where the number of shares to be issued is fixed, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured at fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible notes as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the notes are converted or redeemed.

If the notes are converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the notes are redeemed, the capital reserve is released directly to retained profits.

## 2 Significant accounting policies *(Continued)*

### (t) Employee benefits

*(i) Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

*(ii) Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

*(iii) Terminate benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

### (u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

# Notes to the Financial Statements

## 2 Significant accounting policies *(Continued)*

### (u) Income tax *(Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

## 2 Significant accounting policies *(Continued)*

### (u) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### (v) Provisions, contingent liabilities and onerous contracts

*(i) Provisions and contingent liabilities*

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

# Notes to the Financial Statements

## 2 Significant accounting policies *(Continued)*

### (v) Provisions, contingent liabilities and onerous contracts *(Continued)*

*(ii) Onerous contracts*

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

*(iii) Contingent liabilities assumed in business combinations*

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 2(v)(i). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 2(v)(i).

### (w) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

*(i) Rental income from operating lease*

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised in profit or loss as an integral part of the total lease income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

*(ii) Commission income*

Commission income from lease and management of agriculture wholesale market is recognised in profit or loss on a straight-line basis over the period in which the goods are traded in the agriculture wholesale market.

# Notes to the Financial Statements

## 2 Significant accounting policies *(Continued)*

### (w) Revenue and other income *(Continued)*

*(iii) Services*

Revenue is recognised upon services transferred to the customer.

*(iv) Dividends*

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

*(v) Interest income*

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(m)(i)).

*(vi) Government grants*

Government grants are recognised in the statement of financial position when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

*(vii) Income from financial guarantees issued*

Income from financial guarantees issued is recognised over the term of the guarantees (see Note 2(m)(ii)).

*(viii) Sales of agriculture products*

Revenue is recognised when the customer takes possession of and accepts the products.

## 2 Significant accounting policies *(Continued)*

### (x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of each reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

### (y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### (z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

## 2 Significant accounting policies *(Continued)*

### (z) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### (aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 3 Revenue and segment reporting

The principal activities of the Group are lease and management of agriculture wholesale markets. Further details regarding the Group's principal activities are disclosed in Note 16.

### (a) Disaggregation of revenue

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

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **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 |
| | 1,450,148 | 1,421,019 |

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<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| **Disaggregated by timing of revenue recognition** | | |
| Point in time | 1,017,789 | 1,009,960 |
| Over time | 432,359 | 411,059 |
| **Revenue from external customers** | 1,450,148 | 1,421,019 |

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<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| 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.

| | *Note* | RMB'000 |
|---|---|---|
| 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 | *13(a)* | 4,122,500 |
| Derecognition of right-of-use assets included in property and equipment | *12(a)* | 2,106,717 |
| Derecognition of lease liabilities | | (1,230,807) |
| Derecognition of deferred tax recognised | *24(b)* | (1,238,711) |
| Loss on settlement of pre-existing relationship | | (34,899) |

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.

# Notes to the Financial Statements

## 5 Acquisition of business *(Continued)*

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

| | Note | **Recognised values on acquisition** RMB'000 |
|---|---|---|
| Property and equipment | *12* | 4,524,576 |
| Investment properties | *13* | 6,147,100 |
| Other receivables | | 91,067 |
| Deferred tax assets | *24(b)* | 8,327 |
| Cash at bank and on hand | | 1,411,290 |
| Interest-bearing borrowings | | (2,469,000) |
| Other payables | | (365,572) |
| Taxation | *24(a)* | (4,800) |
| Deferred tax liabilities | *24(b)* | (2,189,411) |
| Deferred income | | (38,541) |
| Total identifiable net assets | | 7,115,036 |
| Less: non-controlling interests | | – |
| Net identifiable assets acquired | | 7,115,036 |
| Goodwill | *15* | 649,175 |
| | | 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 | | 3,724,800 |
| Consideration transferred for the business acquired | | 7,764,211 |

## 5 Acquisition of business *(Continued)*

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.

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.

# Notes to the Financial Statements

## 6 Profit before taxation

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

### (a) Personnel expenses

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Wages, salaries and other benefits | **422,742** | 381,639 |
| Contributions to defined contribution retirement plans | **6,896** | 27,257 |
| | **429,638** | 408,896 |

### (b) Net finance costs

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| 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) |
| | **(48,764)** | (72,495) |
| 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 |
| | **118,517** | 116,457 |
| | **69,753** | 43,962 |

# Notes to the Financial Statements

## 6 Profit before taxation *(Continued)*

### (c) Other items

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| Depreciation | *12* | | |
| — 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

### (a) Income tax in the consolidated statement of profit or loss represents:

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **Current tax** | | | |
| Provision for the year | | **198,455** | 207,974 |
| Under-provision in respect of prior years | | **4,550** | 1,297 |
| | | **203,005** | 209,271 |
| **Deferred tax** | | | |
| Reversal and origination of temporary differences | *24(b)* | **(51,804)** | 25,724 |
| | | **151,201** | 234,995 |

# Notes to the Financial Statements

## 7 Income tax *(Continued)*

### (b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

| | **2020** **RMB'000** | 2019 RMB'000 |
|---|---|---|
| Profit before taxation | **354,521** | 805,450 |
| Income tax calculated at the rates applicable in the tax jurisdictions concerned *(Note (i), (ii) and (iii))* | **126,210** | 214,392 |
| Tax effect of unused tax losses and temporary differences not recognised | **14,622** | 10,036 |
| Effect of non-deductible expenses | **5,819** | 9,270 |
| Under-provision in respect of prior years | **4,550** | 1,297 |
| | **151,201** | 234,995 |

*Note:*

(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.

# Notes to the Financial Statements

## 8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
| *Chairman* | | | | | |
| Wang Yan | – | 13,466 | 25,249 | 15 | 38,730 |
| *Executive directors* | | | | | |
| Dai Bin | – | 4,040 | 23,566 | 15 | 27,621 |
| Qin Xiang (appointed in June 2020) | – | 1,871 | 11,531 | 14 | 13,416 |
| *Non-executive directors* | | | | | |
| Yin Jianhong | – | – | – | – | – |
| Yang Yuhua (resigned in September 2020) | – | – | – | – | – |
| *Independent non-executive directors* | | | | | |
| Fan Ren-Da, Anthony | – | 404 | – | – | 404 |
| Wang Yifu | – | 303 | – | – | 303 |
| Leung Chung Ki | – | 303 | – | – | 303 |
| Tang Hon Man | – | 303 | – | – | 303 |
| | – | 20,690 | 60,346 | 44 | 81,080 |

## 8 Directors' emoluments *(Continued)*

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Directors' fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Total RMB'000 |
| *Chairman* | | | | | |
| Wang Yan | – | 14,332 | 17,916 | 16 | 32,264 |
| *Executive director* | | | | | |
| Dai Bin | – | 4,300 | 14,332 | 16 | 18,648 |
| *Non-executive directors* | | | | | |
| Yin Jianhong | – | – | – | – | – |
| Yang Yuhua | – | – | – | – | – |
| *Independent non-executive directors* | | | | | |
| Fan Ren-Da, Anthony | – | 430 | – | – | 430 |
| Wang Yifu | – | 322 | – | – | 322 |
| Leung Chung Ki | – | 322 | – | – | 322 |
| Tang Hon Man | – | 322 | – | – | 322 |
| | – | 20,028 | 32,248 | 32 | 52,308 |

## 9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2019: two) are directors whose emoluments are disclosed in Note 8. The emolument in respect of the other two (2019: three) individuals is as follows:

| | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|
| Salaries and allowances | **7,608** | 15,630 |
| Discretionary bonuses | **4,629** | 2,687 |
| Retirement scheme contributions | **30** | 48 |
| | **12,267** | 18,365 |

The emolument of the two (2019: three) individuals with the highest emoluments is within the following bands:

| | **2020 Number of individuals** | 2019 Number of individuals |
|---|---|---|
| HKD6,000,001 – HKD6,500,000 | **1** | 2 |
| HKD7,500,001 – HKD8,000,000 | **–** | 1 |
| HKD8,000,001 – HKD8,500,000 | **1** | – |

# Notes to the Financial Statements

## 10 Other comprehensive income

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Exchange differences on translation of: | | |
| — financial statements of the Company and certain overseas subsidiaries before tax amount and net of tax amount | **(21,279)** | 34,684 |
| | **(21,279)** | 34,684 |

## 11 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**

| | *Note* | 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 | *25(c)(ii)* | **982,103** | – |
| Effect of shares held for share award scheme | *25(d)(v)* | **(123,462)** | (110,397) |
| Weighted average number of ordinary shares at 31 December | | **6,574,234** | 5,605,196 |

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

# Notes to the Financial Statements

## 12 Property and equipment

### (a) Reconciliation of carrying amount

| | Note | 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 |
|---|---|---|---|---|---|---|---|---|
| **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) | – |
| 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 | 5 | – | (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) | – |
| **At 31 December 2020** | | 6,359,150 | 725,702 | 74,774 | 86,269 | 35,927 | 581,643 | 7,863,465 |
| **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 | 5 | – | (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 |

## 12 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:

| | Note | **2020** **RMB'000** | 2019 RMB'000 |
|---|---|---|---|
| Other properties leased for own use, carried at depreciated cost | *(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:

| | Note | **2020** **RMB'000** | 2019 RMB'000 |
|---|---|---|---|
| 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 |
| | *6(c)* | **156,184** | 204,944 |
| Interest on lease liabilities | *6(b)* | **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.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 20(c) and 23, respectively.

# Notes to the Financial Statements

## 13 Investment properties

### (a) Reconciliation of carrying amount

| | Note | 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 | | 58,857 | 184,565 | 243,422 |
| 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 | *5* | **–** | **(4,122,500)** | **(4,122,500)** |
| Additions | | **8,076** | **1,205** | **9,281** |
| Fair value adjustment | | **61,124** | **(134,605)** | **(73,481)** |
| **At 31 December 2020** | | **6,729,300** | **–** | **6,729,300** |

*Notes*:

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 | **16,238** | 17,282 |
| | **162,346** | 181,601 |

## 13 Investment properties *(Continued)*

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

*(i) Fair value hierarchy*

The following table presents the fair value of the investment properties 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 | **6,729,300** | 4,768,900 |

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 Holdings 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.

## 13 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 recognised in the item "valuation gains/losses on investment properties" on the face of the consolidated statement of profit or loss.

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

## 14 Intangible assets

| | Golf membership RMB'000 |
|---|---|
| **Cost** | |
| At 1 January 2019 | 12,354 |
| Exchange reserve | 276 |
| At 31 December 2019 and At 1 January 2020 | **12,630** |
| Exchange reserve | **(763)** |
| **At 31 December 2020** | **11,867** |

## 15 Goodwill

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

## 15 Goodwill *(Continued)*

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.

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 | **3.00%** | 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.

# Notes to the Financial Statements

## 16 Interests in subsidiaries

At 31 December 2020, the Company had direct or indirect interests in following subsidiaries. The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. All of which are private companies, particulars of which are set out below:

| Name of subsidiary | Place and date of incorporation/ establishment | Issued/ paid-in capital | Attributable equity interest Direct | Attributable equity interest Indirect | Principal activities |
|---|---|---|---|---|---|
| Yield Smart Limited | British Virgin Islands 30 March 2015 | USD2 | 100% | – | Investment holding |
| China Dili Group Management Limited | Hong Kong 18 December 2007 | HKD1 | – | 100% | Investment holding |
| Shouguang Dili Agricultural Produce Logistic Park Co., Ltd. *(ii)* | Shouguang, the PRC 18 December 2014 | RMB34,438,934.24 | – | 100% | Lease and management of agriculture wholesale market |
| Shenyang Shouguang Dili Agricultural Produce and Side Products Co., Ltd. *(i)* | Shenyang, the PRC 14 November 2014 | RMB120,200,000 | – | 100% | Lease and management of agriculture wholesale market |
| Guiyang Juzhengrun Agricultural Produce Market Management Co., Ltd. *(ii)* | Guiyang, the PRC 23 December 2014 | Registered capital of RMB18,231,316 and paid-in capital of RMB167,380 | – | 100% | Lease and management of agriculture wholesale market |
| Harbin Dili Agricultural Produce and Side Products Co., Ltd. *(i)* | Harbin, the PRC 24 October 2014 | RMB200,000 | – | 100% | Lease and management of agriculture wholesale market |
| Harbin Dalikai Agricultural Produce and Side Products Co., Ltd. *(i)* | Harbin, the PRC 6 November 2014 | RMB100,000 | – | 100% | Lease and management of agriculture wholesale market |
| Qiqihar Dili Agricultural Produce Market Management Co., Ltd. *(ii)* | Qiqihar, the PRC 31 October 2014 | Registered capital of RMB9,728,808 and paid-in capital of RMB129,790 | – | 100% | Lease and management of agriculture wholesale market |
| Mudanjiang Dili Agricultural Produce and Side Products Co., Ltd. *(i)* | Mudanjiang, the PRC 18 November 2014 | RMB100,000 | – | 100% | Lease and management of agriculture wholesale market |
| Hangzhou Fruit-products Group Co., Ltd. *(ii)* | Hangzhou, the PRC 18 June 2001 | RMB120,000,000 | – | 80% | Lease and management of agriculture wholesale market |
| Hangzhou Fruit-products Wholesale Co., Ltd. *(ii)* | Hangzhou, the PRC 23 May 2006 | RMB100,000,000 | – | 80% | Lease and management of agriculture wholesale market |
| Hangzhou Vegetable Co., Ltd. *(ii)* | Hangzhou, the PRC 8 June 2001 | RMB72,600,000 | – | 100% | Lease and management of agriculture wholesale market |

## 16 Interests in subsidiaries *(Continued)*

| Name of subsidiary | Place and date of incorporation/ establishment | Issued/ paid-in capital | Attributable equity interest Direct | Attributable equity interest Indirect | Principal activities |
|---|---|---|---|---|---|
| Hangzhou Vegetable Logistics Co., Ltd. *(ii)* | Hangzhou, the PRC 4 December 2006 | RMB20,000,000 | – | 100% | Lease and management of agriculture wholesale market |
| Hangzhou Changhai Industrial Co., Ltd. *(ii)* | Hangzhou, the PRC 20 January 2006 | Registered capital of RMB159,360,000 and paid-in capital of RMB131,446,000 | – | 96% | Lease and management of agriculture wholesale market |
| Kunming Dili Agricultural Produce Co., Ltd. *(iii)* | Kunming, the PRC 22 October 2018 | Registered capital of RMB500,000,000 and paid-in capital of RMB325,000,000 | – | 65% | Lease and management of agriculture wholesale market |
| Shenzhen City Jiali Supply Chain Co., Ltd. *(ii)* | Shenzhen, the PRC 20 April 2020 | Registered capital of RMB100,000,000 and paid-in capital of RMB50,000,000 | – | 100% | Supply chain management services, warehousing and distribution services |
| Harbin Hada Agricultural Produce and Side Products Joint Stock Co., Ltd. *(iii) (iv)* | Harbin, the PRC 29 March 2002 | RMB154,000,000 | – | 100% | Agricultural produce market |
| Qiqihar Hada Agricultural Produce and Side Products Co., Ltd. *(ii) (iv)* | Qiqihar, the PRC 14 August 2008 | RMB50,000,000 | – | 100% | Agricultural produce market |
| Harbin Youyi Warehouse Co., Ltd. *(ii) (iv)* | Harbin, the PRC 25 April 2005 | RMB45,000,000 | – | 100% | Agricultural produce market |
| Shenyang Dili Agricultural Produce and Side Products Co., Ltd. *(iii) (iv)* | Shenyang, the PRC 21 December 2010 | RMB720,000,000 | – | 100% | Agricultural produce market |
| Shenyang Jindongmao Property Co., Ltd. *(ii) (iv)* | Shenyang, the PRC 26 December 2006 | RMB198,728,433 | – | 100% | Agricultural produce market |
| Liaoning Yindali Property Investment Co., Ltd. *(ii) (iv)* | Liaoning, the PRC 25 January 2007 | RMB20,000,000 | – | 100% | Agricultural produce market |
| Guiyang Dili Agricultural Produce Logistic Park Co., Ltd. *(ii) (iv)* | Guiyang, the PRC 15 November 2010 | RMB199,767,000 | – | 100% | Agricultural produce market |
| Mudanjiang Muda Agricultural Produce and Side Products Co., Ltd. *(ii) (iv)* | Mudanjiang, the PRC 28 December 2009 | RMB201,435,000 | – | 100% | Agricultural produce market |

## 16 Interests in subsidiaries *(Continued)*

The English translation of the names of the PRC incorporated companies are for reference only and the official names of these entities are in Chinese.

(i) This company is registered as a wholly foreign owned enterprise under the PRC law.

(ii) This company is registered as a wholly domestic owned enterprise under the PRC law.

(iii) This company is registered as a sino-foreign joint venture company under the PRC law.

(iv) This company is acquired by Hada Acquisition as set out in Note 5.

## 17 Other assets

| | *Note* | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|---|
| Financial assets measured at FVPL | | | |
| — Investment in Dili Fresh | *(i)* | **314,397** | 531,274 |
| — Derivative financial instruments embedded in investment in Dili Fresh | *(i)* | **665,052** | 392,564 |
| Sub-total | | **979,449** | 923,838 |
| Lease incentive | *(ii)* | **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.

## 17 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.

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

| | **Investment in Dili Fresh** RMB'000 | **Put Option** RMB'000 | **Call Option** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|
| **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 | (41,326) | 20,837 | – | (20,489) |
| **At 31 December 2019 and 1 January 2020** | **531,274** | **392,564** | **–** | **923,838** |
| Net unrealised (loss)/gain on financial assets measured at FVPL | **(216,877)** | **272,488** | **–** | **55,611** |
| **At 31 December 2020** | **314,397** | **665,052** | **–** | **979,449** |

### (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 certain years.

## 18 Inventories

| | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|
| Trading goods | **52,532** | 44,337 |

## 19 Other receivables

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| Amounts due from related parties | *29(c)* | **700,937** | 236,804 |
| Loans to third parties | | **–** | 460,006 |
| Receivable for disposal of property and equipment | *(i)* | **52,764** | 179,751 |
| Amounts due from a third party | *(ii)* | **23,681** | 31,946 |
| Deposits | *(iii)* | **200,000** | 225,000 |
| Other debtors | | **70,600** | 28,513 |
| Financial assets measured at amortised cost | | **1,047,982** | 1,162,020 |
| Less: impairment loss on other receivables | *28(a)* | **15,830** | – |
| | | **1,032,152** | 1,162,020 |
| Prepayments | | **177,403** | 42,408 |
| Total | | **1,209,555** | 1,204,428 |
| Representing: | | | |
| – Non-current | | **509,158** | 255,460 |
| – Current | | **700,397** | 948,968 |
| | | **1,209,555** | 1,204,428 |

*Note:*

**(i) 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 these financial statements.

**(ii) 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.

**(iii) Deposits**

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

## 20 Cash at bank and on hand and other cash flow information

### (a) Cash at bank and on hand comprise:

| | 2020<br>RMB'000 | 2019<br>RMB'000 |
|---|---|---|
| Cash on hand | **2,744** | 6,712 |
| Cash at bank | **911,909** | 664,907 |
| | **914,653** | 671,619 |
| Representing: | | |
| — Cash and cash equivalents | **914,653** | 651,619 |
| — Time deposits with original maturity over three months | **–** | 20,000 |
| | **914,653** | 671,619 |

The Group's operation in the PRC (excluding Hong Kong) conducted its business in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

### (b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

# Notes to the Financial Statements

## 20 Cash at bank and on hand and other cash flow information *(Continued)*

### (b) Reconciliation of liabilities arising from financing activities *(Continued)*

| | Note | Interest-bearing borrowings RMB'000 *(Note 21)* | Lease liabilities RMB'000 *(Note 23)* | Interest payables RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **At 1 January 2020** | | 473,180 | 1,572,654 | – | 2,045,834 |
| Acquisition of business | 5 | **2,469,000** | **–** | **–** | **2,469,000** |
| Termination of the favourable term lease agreements | | **–** | **(1,230,808)** | **–** | **(1,230,808)** |
| | | **2,942,180** | **341,846** | **–** | **3,284,026** |
| **Changes from financing cash flows:** | | | | | |
| Repayment of interest-bearing borrowings | | **(1,584,386)** | **–** | **–** | **(1,584,386)** |
| Proceeds from interest-bearing borrowings | | **362,861** | **–** | **–** | **362,861** |
| Capital element of lease rentals paid | | **–** | **(61,923)** | **–** | **(61,923)** |
| Interest element of lease rentals paid | | **–** | **(60,989)** | **–** | **(60,989)** |
| Interest paid | | **–** | **–** | **(53,761)** | **(53,761)** |
| Total changes from financing cash flows | | **(1,221,525)** | **(122,912)** | **(53,761)** | **(1,398,198)** |
| **Other changes:** | | | | | |
| Increase in lease liabilities from entering into new leases during the period | | **–** | **232,815** | **–** | **232,815** |
| Interest expenses | 6(b) | **–** | **60,989** | **53,761** | **114,750** |
| Total other changes | | **–** | **293,804** | **53,761** | **347,565** |
| **At 31 December 2020** | | **1,720,655** | **512,738** | **–** | **2,233,393** |
| **At 1 January 2019** | | 571,680 | 1,672,510 | – | 2,244,190 |
| **Changes from financing cash flows:** | | | | | |
| Repayment of bank loans | | (198,500) | – | – | (198,500) |
| Proceeds from bank loans | | 100,000 | – | – | 100,000 |
| Capital element of lease rentals paid | | – | (102,002) | – | (102,002) |
| Interest element of lease rentals paid | | – | (79,858) | – | (79,858) |
| Interest paid | | – | – | (32,266) | (32,266) |
| **Total changes from financing cash flows** | | (98,500) | (181,860) | (32,266) | (312,626) |
| **Other changes:** | | | | | |
| Increase in lease liabilities from entering into new leases during the period | | – | 2,146 | – | 2,146 |
| Interest expenses | 6(b) | – | 79,858 | 32,266 | 112,124 |
| Total other changes | | – | 82,004 | 32,266 | 114,270 |
| **At 31 December 2019** | | 473,180 | 1,572,654 | – | 2,045,834 |

## 20 Cash at bank and on hand and other cash flow information *(Continued)*

### (c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| Within operating cash flows | **7,504** | 8,933 |
| Within financing cash flows | **122,912** | 181,860 |
| | **130,416** | 190,793 |

These amounts relate to the following:

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| Lease rentals paid | **130,416** | 190,793 |

## 21 Interest-bearing borrowings

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

| | *Note* | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|---|
| Bank loans, secured by property and equipment | | **100,000** | 100,000 |
| Bank loans, guaranteed by related parties | | **186,275** | – |
| Other loans | | **20,000** | – |
| | | **306,275** | 100,000 |
| Add: current portion of long-term interest-bearing borrowings | *21(b)* | **1,109,280** | 73,500 |
| | | **1,415,555** | 173,500 |

## 21 Interest-bearing borrowings *(Continued)*

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

| | *Note* | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|---|
| Bank loans, secured by investment properties and guaranteed by related and/or third parties | | **997,000** | 22,500 |
| Bank loans, secured by investment properties | | **337,380** | 350,680 |
| Other loans, unsecured | | **80,000** | – |
| | | **1,414,380** | 373,180 |
| Less: current portion of long-term interest-bearing borrowings | *21(a)* | **(1,109,280)** | (73,500) |
| | | **305,100** | 299,680 |

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

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| Within 1 year | **1,109,280** | 73,500 |
| After 1 year but within 2 years | **131,600** | 142,680 |
| After 2 years but within 5 years | **173,500** | 141,000 |
| After 5 years | **–** | 16,000 |
| | **1,414,380** | 373,180 |

**(c)** The following assets and their respective carrying values at 31 December 2020 and 2019 are pledged to secure the Group's bank loans:

| | *Note* | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|---|
| Property and equipment | *12* | **665,426** | 700,815 |
| Investment properties | *13* | **604,646** | 495,084 |
| | | **1,270,072** | 1,195,899 |

**(d)** Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the loan would become repayable on demand. At 31 December 2020, none of the covenants relating to the bank loans had been breached.

## 22 Other payables

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| Construction payables | | **154,772** | 96,232 |
| Amounts due to related parties | *29(c)* | **–** | 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 |
| Financial liabilities measured at amortised cost | | **813,812** | 625,606 |
| Other taxes payable | | **30,774** | 8,543 |
| Receipt-in-advance | | **201,974** | 226,132 |
| | | **1,046,560** | 860,281 |

(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.

## 23 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 Present value of the minimum lease payments RMB'000 | 2019 Present value of the minimum lease payments RMB'000 |
|---|---|---|
| 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 |
| **Total** | **512,738** | 1,572,654 |

# Notes to the Financial Statements

## 24 Income tax in the consolidated statement of financial position

### (a) Movements in current taxation in the consolidated statement of financial position represents:

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| Balance of income tax payable at 1 January | | **114,698** | 122,543 |
| Acquisition of business | 5 | **4,800** | – |
| Provision for the year | | **198,455** | 207,974 |
| Income tax paid | | **(187,896)** | (217,116) |
| | | **130,057** | 113,401 |
| Balance of profits tax provision relating to prior years | | **4,550** | 1,297 |
| Balance of income tax payable at 31 December | | **134,607** | 114,698 |

### (b) Deferred tax assets and liabilities recognised

The components of deferred tax assets/(liabilities)recognised in the consolidated statement of financial position and the movements during the year are as follows:

| | Note | Government grants RMB'000 | Depreciation charge of right-of-use assets RMB'000 | Revaluation of investment properties RMB'000 | Deferred tax liabilities arising from business combinations RMB'000 | Revaluation of financial assets measured at FVPL RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2019** | | 676 | – | (53,116) | (1,658,376) | – | (1,710,816) |
| Impact on initial application of IFRS 16 | | – | – | (794,293) | 873,590 | – | 79,297 |
| (Charged)/credited to profit or loss | | (75) | (555) | (63,375) | 38,281 | – | (25,724) |
| **At 31 December 2019 and 1 January 2020** | | **601** | **(555)** | **(910,784)** | **(746,505)** | **–** | **(1,657,243)** |
| Acquisition of business | 5 | **8,327** | **–** | **(1,292,292)** | **(897,119)** | **–** | **(2,181,084)** |
| Termination of the favourable term lease agreements | 5 | **–** | **7,690** | **807,347** | **423,674** | **–** | **1,238,711** |
| (Charged)/credited to profit or loss | | **(435)** | **(2,419)** | **22,265** | **37,954** | **(5,561)** | **51,804** |
| **At 31 December 2020** | | **8,493** | **4,716** | **(1,373,464)** | **(1,181,996)** | **(5,561)** | **(2,547,812)** |

## 24 Income tax in the consolidated statement of financial position *(Continued)*

### (b) Deferred tax assets and liabilities recognised *(Continued)*

Deferred tax liabilities mainly represent the deferred tax liabilities recognised as a result of the acquisition of agriculture wholesale markets business in July 2015, the Hangzhou Acquisition in July 2018 and the acquisition of Hada Business in August 2020. It was reversed in line with the depreciation of the property and equipment identified during the acquisition.

### (c) Deferred tax liabilities not recognised

At 31 December 2020, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB6,363,148,000 (2019: RMB4,546,738,000). Deferred tax liabilities of RMB636,315,000 (2019: RMB454,674,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

## 25 Capital and reserves

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual component of equity between the beginning and the end of the year are set out below:

| | Note | Share capital RMB'000 | Share premium RMB'000 | Capital redemption reserve RMB'000 | Capital surplus RMB'000 | Exchange reserve RMB'000 | Accumulated loss RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2019** | | 478,794 | 15,578,813 | 7,508 | 92,168 | (25,008) | (13,456,059) | 2,676,216 |
| **Change in equity for 2019:** | | | | | | | | |
| Total comprehensive income for the year | | – | – | – | – | 133,930 | (35,881) | 98,049 |
| **Balance at 31 December 2019 and 1 January 2020** | | **478,794** | **15,578,813** | **7,508** | **92,168** | **108,922** | **(13,491,940)** | **2,774,265** |
| **Change in equity for 2020:** | | | | | | | | |
| Total comprehensive income for the year | | **–** | **–** | **–** | **–** | **(12,868)** | **(3,612,792)** | **(3,625,660)** |
| Issuance of convertible bond | *25(c)(ii)* | **–** | **3,103,678** | **–** | **–** | **–** | **–** | **3,103,678** |
| Conversion of convertible bond | *25(c)(ii)* | **240,985** | **694,748** | **–** | **–** | **–** | **–** | **935,733** |
| **Balance at 31 December 2020** | | **719,779** | **19,377,239** | **7,508** | **92,168** | **96,054** | **(17,104,732)** | **3,188,016** |

## 25 Capital and reserves *(Continued)*

### (b) 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).

### (c) 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 |

## 25 Capital and reserves *(Continued)*

### (c) Share capital *(Continued)*

*(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.

### (d) Nature and purpose of reserves

*(i) Share premium*

The share premium represents the difference between the par value and the proceeds from the issuance of the shares of the Company and the difference between the par value and the consideration paid on the repurchase of the shares of the Company. The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law, the funds in the share premium account of the Company are distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

*(ii) Capital redemption reserve*

Pursuant to section 37 of Companies Law of the Cayman Islands, capital redemption reserve represents the par value of the shares of the Company cancelled and transferred from the retained earnings.

*(iii) Capital surplus*

Capital surplus mainly represents the book value of assets injected by the investors of the Company's subsidiaries in excess of their share of the registered capital, the consideration in excess of the book value of the non-controlling interests acquired and the fair value of the estimated number of unexercised share options granted to employees of the Company.

## 25 Capital and reserves *(Continued)*

### (d) Nature and purpose of reserves *(Continued)*

(iv) *Statutory reserve fund*

Pursuant to the Articles of Association of the PRC subsidiaries comprising the Group, appropriations to the general reserve fund were made at a certain percentage of profit after tax determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the subsidiaries. From 1 January 2008, the Group's PRC subsidiaries are required to transfer 10% of their profit after tax to statutory reserve fund in accordance with the relevant PRC regulations since these subsidiaries became wholly foreign owned enterprises by then. The transfer could no longer be recognised when the accumulated statutory reserve fund reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(v) *Shares held for share award scheme*

On 28 August 2018, the Company adopted a share award scheme (the "Share Award Scheme") with a duration of ten years. The specific objectives of the Share Award Scheme are (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. Up to December 2020, the board of directors of the Company has not issued any shares or granted any awarded shares under the Share Award Scheme to any selected employees. During the year ended 31 December 2020, 5,702,000 shares were acquired from the market (during the year ended 31 December 2019: 54,709,800 shares).

During the year ended 31 December 2020, the Company purchased its own shares through an independent trustee on the Stock Exchange as follows:

| **Month/year** | **Number of shares purchased** | **Highest price paid per share** | **Lowest price paid per share** | **Total amount paid** |
|---|---|---|---|---|
| | | HKD | HKD | RMB'000 |
| January 2020 | 4,192,000 | 2.60 | 2.33 | 9,337 |
| February 2020 | 1,510,000 | 2.35 | 2.21 | 3,117 |
| | | | | 12,454 |

(vi) *Exchange reserves*

The exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

# Notes to the Financial Statements

## 25 Capital and reserves *(Continued)*

### (d) Nature and purpose of reserves *(Continued)*

*(vii) Merger reserves*

The merger reserves represent the aggregate amount of paid-in capital of the PRC subsidiaries now comprising the Group after elimination of investments in these subsidiaries.

### (e) Capital management

The Group's primary objectives on managing capital are to safeguard the Group's ability to continue as a going concern, so that it can fund its operation of agriculture wholesale markets, and provide returns to shareholders, by pricing rental and property management services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group regularly reviews its capital structure and actively monitors current and expected liquidity requirements to ensure its obligations and commitments are met. A proactive approach is taken to forecasting future funding requirements and, when funds are needed, market conditions are evaluated to determine the best form of finance to be secured.

The Group monitors its capital structure on the basis of a gearing ratio, being the interest-bearing borrowing and lease liabilities divided by the total assets. At 31 December 2020, the gearing ratio of the Group was 11.68%.

The gearing ratio of the Group at 31 December 2020 and 2019 was calculated as follows:

| | *Note* | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|---|
| Total non-current assets | | **17,437,004** | 11,838,153 |
| Total current assets | | **1,682,380** | 1,667,186 |
| Total assets | | **19,119,384** | 13,505,339 |
| Interest-bearing borrowings (non-current) | *21* | **305,100** | 299,680 |
| Lease liabilities (non-current) | *23* | **459,781** | 1,447,037 |
| Interest-bearing borrowings (current) | *21* | **1,415,555** | 173,500 |
| Lease liabilities (current) | *23* | **52,957** | 125,617 |
| Total debts | | **2,233,393** | 2,045,834 |
| **Gearing ratio** | | **11.68%** | 15.15% |

The Group is not subject to externally imposed capital requirements.

# Notes to the Financial Statements

## 26 Employee benefit plan

### Defined contribution retirement benefit schemes

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Retirement Schemes") organised by the relevant local government authorities in the cities the PRC subsidiaries operate. The Group is required to make contributions to the Retirement Schemes at the rate ranging from 14% to 16% (2019: 14% to 16%) of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other obligation for the payment of pension benefits associated with the Retirement Schemes and other post-retirement benefits beyond the annual contributions described above.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000. Contributions to the plan vest immediately.

## 27 Capital commitments

At 31 December 2020, the Group has the following commitments not provided for in the financial statements:

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| Contracted for | **112,061** | 49,680 |
| Authorised but not contracted for | **1,882** | – |
| | **113,943** | 49,680 |

## 28 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a high credit rating assigned by the management of the Group, for which the Group considers to have low credit risk.

## 28 Financial risk management and fair values *(Continued)*

### (a) Credit risk *(Continued)*

Except for the financial guarantees given by the Group as set out in Note 29(b), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in Note 29(b).

ECL allowances are measured at an amount equal to lifetime ECLs for other receivables where there has been a significant increase in credit risk of the other receivable since initial recognition. For other receivables where there has not been a significant increase in credit risk, allowances are measured at an amount equal to 12-month ECL. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different debtors, the loss allowance based on past due status is not further distinguished between the Group's different debtor bases.

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of other receivables during the year is as follows:

| | **2020**<br>**RMB'000** | 2019<br>RMB'000 |
|---|---|---|
| Balance at 1 January | **–** | – |
| Impairment loss recognised during the year | **15,830** | – |
| Balance at 31 December | **15,830** | – |

### (b) Liquidity risk

The Group manages cash including the short term investment of cash surpluses and the raising of loans to cover expected cash demands on a group basis. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As at the date of approval of these financial statements, the Group:

- has agreed with the bank to extend the maturity date of short-term interest-bearing borrowings of RMB997 million;
- has received proceeds from the subsequent subscription of a wholly-owned subsidiary of JD.com, Inc. of approximately RMB665,403,000 in February 2021 (see Note 31).

Taking all these factors into account, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Nevertheless, the Group will continue to undertake various measures in order to further improve its liquidity position in the short and long term, including negotiation with financial institutions to raise new bank loans.

## 28 Financial risk management and fair values *(Continued)*

### (b) Liquidity risk *(Continued)*

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

| | 2020 Contractual undiscounted cash outflow | | | | | |
|---|---|---|---|---|---|---|
| | **Within 1 year or due on demand RMB'000** | **More than 1 year but less than 2 years RMB'000** | **More than 2 years but less than 5 years RMB'000** | **More than 5 years RMB'000** | **Total RMB'000** | **Carrying amount at 31 December RMB'000** |
| Other payables | **844,586** | **–** | **–** | **–** | **844,586** | **844,586** |
| Interest-bearing borrowings | **1,452,047** | **149,166** | **200,711** | **–** | **1,801,924** | **1,720,655** |
| Lease liabilities | **72,512** | **67,487** | **150,415** | **385,996** | **676,410** | **512,738** |
| | **2,369,145** | **216,653** | **351,126** | **385,996** | **3,322,920** | **3,077,979** |

| | 2019 Contractual undiscounted cash outflow | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or due on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 | Total RMB'000 | Carrying amount at 31 December RMB'000 |
| Other payables | 634,149 | – | – | – | 634,149 | 634,149 |
| Interest-bearing borrowings | 199,377 | 160,088 | 156,633 | 16,353 | 532,451 | 473,180 |
| Lease liabilities | 130,146 | 147,823 | 426,975 | 1,559,889 | 2,264,833 | 1,572,654 |
| | 963,672 | 307,911 | 583,608 | 1,576,242 | 3,431,433 | 2,679,983 |

## 28 Financial risk management and fair values *(Continued)*

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

*(i) Interest rate profile*

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

| | **At 31 December 2020** | | At 31 December 2019 | |
|---|---|---|---|---|
| | **Effective interest rate %** | **RMB'000** | Effective interest rate % | RMB'000 |
| **Fixed rate borrowings:** | | | | |
| — Interest-bearing borrowings | **3.95 - 12.00** | **1,452,975** | 4.79 - 6.00 | 122,500 |
| — Lease liabilities | **4.75 - 4.90** | **512,738** | 4.75 - 4.90 | 1,572,654 |
| | | **1,965,713** | | 1,695,154 |
| **Variable rate borrowings:** | | | | |
| — Interest-bearing borrowings | **5.88 - 6.84** | **267,680** | 5.88 - 6.84 | 350,680 |
| Total borrowings | | **2,233,393** | | 2,045,834 |
| Fixed rate borrowings as a percentage of total borrowings | **88%** | | | 83% |

*(ii) Sensitivity analysis*

At 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and increased/decreased the Group's accumulated losses by approximately RMB2,008,000 for the year ended 31 December 2020.

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate borrowings held by the Group at the end of the reporting period, the impact of which on the Group's profit after tax and accumulated losses is estimated as an annualised impact on interest expense of such a change in interest rates.

# Notes to the Financial Statements

## 28 Financial risk management and fair values *(Continued)*

### (d) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China ("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) or must be arranged through the PBOC with government approval.

All the Group's cash and bank balances in RMB were placed with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

All the revenue-generating operations of the Group are transacted in RMB. The Group is exposed to foreign currency risk on financing transactions denominated in currencies other than the functional currency of the PRC subsidiaries (RMB) and the overseas group entities (HKD). Depreciation or appreciation of the RMB and HKD against foreign currencies can affect the Group's results. The Group did not hedge its foreign currency exposure.

The following table details the Group's recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

| | Exposure foreign currencies (expressed in Renminbi) | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | | 2019 | | |
| | **USD** | **HKD** | **RMB** | USD | HKD | RMB |
| | **RMB'000** | **RMB'000** | **RMB'000** | RMB'000 | RMB'000 | RMB'000 |
| Cash at bank and on hand | **26,861** | **168** | **550** | 29,430 | 4,204 | 537 |
| Net exposure arising from recognised assets and liabilities | **26,861** | **168** | **550** | 29,430 | 4,204 | 537 |

# Notes to the Financial Statements

## 28 Financial risk management and fair values *(Continued)*

### (d) Foreign currency risk *(Continued)*

The following table indicates the approximate change in the Group's profit after tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Increase/ (decrease) in foreign exchange rates** | **Increase/ (decrease) in profit after tax (RMB'000)** | Increase/ (decrease) in foreign exchange rates | Increase/ (decrease) in profit after tax (RMB'000) |
| HKD – USD | **0.4%** | **(1)** | 0.4% | (1) |
| | **(0.4%)** | **1** | (0.4%) | 1 |
| HKD – RMB | **5%** | **(27)** | 5% | (27) |
| | **(5%)** | **27** | (5%) | 27 |
| RMB – HKD/USD | **5%** | **(1,002)** | 5% | (1,248) |
| | **(5%)** | **1,002** | (5%) | 1,248 |

Given the current turbulent market, the reasonably possible changes estimated by the Group are based on the Group's best estimate considering the historical information and the forecast of the future economic situation. Actual changes in foreign exchange rates may be different from the Group's estimate.

## 28 Financial risk management and fair values *(Continued)*

### (e) Fair value measurement

*(i) Financial instruments measured at fair value*

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance manager performing valuations for the financial instruments, including unlisted equity securities. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

| | **Fair value at 31 December 2020 RMB'000** | **Fair value measurements as at 31 December 2020 categorised into level 3 RMB'000** | Fair value at 31 December 2019 RMB'000 | Fair value measurements as at 31 December 2019 categorised into level 3 RMB'000 |
|---|---|---|---|---|
| **Recurring fair value measurements** | | | | |
| Financial assets measured at FVPL | | | | |
| — Investment in Dili Fresh | **314,397** | **314,397** | 531,274 | 531,274 |
| — Derivative financial instruments embedded in investment in Dili Fresh | **665,052** | **665,052** | 392,564 | 392,564 |

During the years ended 31 December 2019 and 2020, 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.

## 28 Financial risk management and fair values *(Continued)*

### (e) Fair value measurement *(Continued)*

*(i) Financial instruments measured at fair value (Continued)*

*Information about Level 3 fair value measurements*

| | Valuation techniques | Significant unobservable inputs | Weighted average |
|---|---|---|---|
| Financial assets measured at FVPL<br>— Investment in Dili Fresh | Market approach | Enterprise-value-to-sales multiple<br>Discount for lack of marketability | 0.73 (2019: 0.95)<br>30% (2019: 32%) |
| — Derivative financial instruments embedded in investment in Dili Fresh | Binomial options pricing model | Expected volatility<br>Expected probability | 38.07% (2019: 45.23%)<br>93% (2019: 67%) |

The fair value of investment in Dili Fresh measured at FVPL are determined by market approach, within which enterprise-value-to-sales("EV/Sales") multiple is adopted. EV/Sales multiple is derived from the average of the average and median of EV/Sales multiples of listed comparable companies. Meanwhile, the fair value is adjusted with discount for lack of marketability and cash/(debt) and non-operating assets/(liabilities).

The fair value of derivative financial instruments embedded in investment in Dili Fresh measured at FVPL are determined by binomial options pricing model. In calculating the fair value, the key inputs for those parameters of the binomial options pricing model are expected volatility, exercise probability, the fair value of investment in Dili Fresh, exercise price of the option, contractual life, risk-free rate, credit yield and expected dividend rate.

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

| | **2020 RMB'000** | 2019 RMB'000 |
|---|---|---|
| **Financial assets measured at FVPL:** | | |
| At 1 January | **923,838** | 1,800 |
| Purchase of financial assets measured at FVPL | **–** | 944,327 |
| Net unrealised gain/(loss) on financial assets measured at FVPL | **55,611** | (22,289) |
| At 31 December | **979,449** | 923,838 |

*(ii) Fair value of financial assets and liabilities carried at other than fair value*

Except for the financial instruments measured at fair value, the carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2019 and 2020.

## 29 Material related party transactions and balances

### (a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

| | **2020** **RMB'000** | 2019 RMB'000 |
|---|---|---|
| Salaries and other emoluments | **53,615** | 52,959 |
| Retirement scheme contributions | **260** | 360 |
| | **53,875** | 53,319 |

### (b) Material related party transactions

| | *Note* | **2020** **RMB'000** | 2019 RMB'000 |
|---|---|---|---|
| Payment for rental expenses to related parties | | **(47,005)** | (133,671) |
| Payment for Dili Fresh Acquisition | *17* | **–** | (542,992) |
| Loans to related parties (i) | | **(445,000)** | (235,000) |
| Interest income from loans to related parties (i) | | **31,397** | 1,756 |
| Lease liabilities due to related parties | | **–** | 1,241,871 |
| Advances from related parties | | **–** | 11,515 |
| Income on providing financial guarantee (ii) | | **4,100** | – |
| Repayment to related parties | | **(12,547)** | – |
| Guarantees received from related parties (iii) | | **1,183,275** | – |
| Guarantees provided to related parties (ii) | | **(165,000)** | – |
| Consideration transferred for acquisition of the Hada Business | *5* | **7,764,211** | – |

(i) 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 17.

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.

## 29 Material related party transactions and balances *(Continued)*

### (b) Material related party transactions *(Continued)*

(ii) As at 31 December 2020, the Group provided guarantees to certain bank loans of Dili Fresh amounting of RMB165,000,000 with financial guarantee income of RMB4,100,000 during the year.

(iii) As at 31 December 2020, Mr. Dai Yongge and Shouguang Agricultural Produce Logistic Park Co., Ltd., a wholly-owned subsidiary of New Amuse, provided guarantees to certain bank loans of the Group amounting of RMB1,183,275,000.

### (c) Related party balances

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| Amounts due to related parties | | | |
| — Mr. Dai Yongge* | | – | (944) |
| — Entities under control of Mr. Dai Yongge | | – | (11,515) |
| — Entities under control of Ms. Zhang Xingmei** | | – | (155) |
| | 22 | – | (12,614) |
| Amounts due from related parties | | | |
| — Mr. Dai Yongge* | | – | 48 |
| — Harbin Dili Fresh | 29(b)(i) | 700,937 | 236,756 |
| | 19 | 700,937 | 236,804 |
| | | 700,937 | 224,190 |

* Mr. Dai Yongge, a controlling shareholder of the Company and the spouse of Ms. Zhang Xingmei.

** Ms. Zhang Xingmei, a controlling shareholder of the Company and the spouse of Mr. Dai Yongge.

### (d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of the rental expenses charged to related parties, loans to related parties, guarantees provided to related parties, financial guarantee income and interest income from loans to related parties, constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, of which the disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected Transactions and Continuing Connected Transactions" of the Reports of the Directors. Except for these transactions, other related party transactions mentioned in Note 29(b) are exempt from the disclosure requirements in Chapter 14 A of the Listing Rules.

# Notes to the Financial Statements

## 30 Company-level statement of financial position

| | Note | 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **Non-current asset** | | | |
| Interests in subsidiaries | 16 | **3,250,033** | 4,292,673 |
| **Total non-current asset** | | **3,250,033** | 4,292,673 |
| **Current assets** | | | |
| Other receivables | | **1,224** | 821 |
| Cash at bank and on hand | | **529** | 9,455 |
| **Total current assets** | | **1,753** | 10,276 |
| **Current liabilities** | | | |
| Amounts due to related parties | | **–** | 1,491,411 |
| Other payables | | **63,770** | 37,273 |
| **Total current liabilities** | | **63,770** | 1,528,684 |
| **Net current liabilities** | | **(62,017)** | (1,518,408) |
| **Net assets** | | **3,188,016** | 2,774,265 |
| **Capital and reserves** | | | |
| Share capital | 25(c) | **719,779** | 478,794 |
| Reserves | 25(d) | **2,468,237** | 2,295,471 |
| **Total equity** | | **3,188,016** | 2,774,265 |

Approved and authorised for issue by the board of directors on 30 March 2021.

**Wang Yan**
*Chairman*

**Dai Bin**
*Director*

# Notes to the Financial Statements

## 31 Non-adjusting events after the reporting period

### Subsequent subscription of new 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.

## 32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments and a new standard, IFRS17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendments to IFRS 3, *Reference to the Conceptual Framework* | 1 January 2022 |
| Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use* | 1 January 2022 |
| Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract* | 1 January 2022 |
| Annual Improvements to IFRSs 2018-2020 Cycle | 1 January 2022 |

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

## 33 Ultimate holding company

The directors of the Company consider the ultimate holding company of the Company at 31 December 2020 to be New Amuse Limited, which is incorporated in the BVI. This entity does not produce financial statements available for public use.

## 34 Accounting judgement and estimates

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

### (a) ECL of other receivables

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of other receivables. Other receivables are categorised by individual characteristics of each customer. ECL allowances are measured at an amount equal to lifetime ECLs for other receivables where there has been a significant increase in credit risk of the other receivable since initial recognition. For other receivables where there has not been a significant increase in credit risk, allowances are measured at an amount equal to 12-month ECL.

The Group considers the following indicators when assessing the credit risks, such as the changes in macroeconomic conditions, probabilities of default and internal or external credit ratings, or expected operating performance of the customer, etc. At every reporting date the historical observed default rates are updated and changes in the forward-looking information are analysed. Such assessment involves a significant degree of judgement by the management.

## 34 Accounting judgement and estimates *(Continued)*

### (b) Impairment losses of non-current assets

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of Assets". The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, selling price and amount of operating costs.

### (c) Taxes

The Company and its subsidiaries file taxes in many tax authorities. Judgement is required in determining the amount of tax provisions. There are many transactions and calculating for which the ultimate tax determination is uncertain during the course of business. The ultimate tax determination therefore might be different from the amount of tax provisions made in the financial statements.

### (d) Determining the lease term

As explained in Note 2(l), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

## 34 Accounting judgement and estimates *(Continued)*

### (e) Valuation

Investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidences of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

In determining the fair value, the valuers have taken into consideration the market conditions existed at the end of each reporting period or where appropriate, a method of valuation where involves, inter alia, certain estimates including market prices, prevailing market rents for comparable properties in the same location and condition, appropriate discount rate and expected future market rents. In relying on the valuation report, the management has exercised their judgement and are satisfied that the method of valuation is reflective of the prevailing market conditions as at the end of each reporting period.

## 35 Impacts of COVID-19 pandemic

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

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

As far as the Group's businesses are concerned, due to the outbreak of COVID-19, the repayment abilities of the Group's debtors were impacted, which resulted in impairment losses on other receivables. The directors of the Company are optimistic that the COVID-19 pandemic will eventually be under full control, and the Group will continue to closely monitor the situation and implement contingency measures, where necessary in a view to reduce the impacts from the COVID-19 pandemic.

As set in Note 2(b), based on a cash flow forecast of the Group for the next twelve months ending 31 December 2021, taking into account the subsequent actual and forecast negative impacts of COVID-19 for the Group's business, together with the extension of maturity date of short-term interest-bearing borrowings of RMB997 million 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.

# Details of Investment Properties

| Location | Use | Lease Expiry | Attributable interest of the Group |
|---|---|---|---|
| Hangzhou Dili Logistic Park and Hangzhou Seafood Products Market<br>Nos. 3-5 Dashiyang Road, Yuhang District, Hangzhou City, Zhejiang Province, the PRC | Agriculture wholesale market | 2046 | 96% |
| Guiyang Agricultural Produce Logistic Park<br>Yun'ao Village and Shiban Er Village, Shiban Town, Huaxi District, Guiyang City, Guizhou Province, the PRC | Agriculture wholesale market | 2052 | 100% |
| Harbin Hada Agricultural Produce and Side Products Market<br>Nos. 277-279 Xuefu Road, Nangang District, Harbin City, Heilongjiang Province, the PRC | Agriculture wholesale market | 2040 | 100% |
| Qiqihar Hada Agricultural Produce Market<br>No. 157 Minhang Road, Longsha District, Qiqihar City, Heilongjiang Province, the PRC | Agriculture wholesale market | 2059 | 100% |
| Muda International Agricultural Produce Logistic Park<br>Western side of Xinxing Road, Yangming District, Mudanjiang City, Heilongjiang Province, the PRC | Agriculture wholesale market | 2050 | 100% |
| Harbin Youyi Agricultural Produce Market<br>Junction of Youyi Road and Yimian Street, Daoli District, Harbin City, Heilongjiang Province, the PRC | Agriculture wholesale market | 2057 | 100% |

# Five Years Financial Summary

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2016<br>RMB'000 | 2017<br>RMB'000 | 2018<br>RMB'000 | 2019<br>RMB'000 | **2020**<br>**RMB'000** |
| **RESULTS** | | | | | |
| Revenue | 1,001,765 | 988,112 | 1,128,654 | 1,421,019 | **1,450,148** |
| Other income/(expenses) | 127,409 | 93,495 | (56,417) | 143,785 | **163,733** |
| Cost of goods sold | – | – | – | – | **(74,381)** |
| Operating expenses | (591,135) | (604,265) | (691,339) | (314,278) | **(345,306)** |
| Impairment loss on other receivables | – | – | – | – | **(15,830)** |
| Administrative expenses | (490,488) | (536,524) | (703,134) | (622,671) | **(701,321)** |
| Profit/(loss) from operations | 47,551 | (59,182) | (322,236) | 627,855 | **477,043** |
| Net unrealised (loss)/gain on financial assets measured at fair value through profit or loss | – | – | (3,018) | (21,865) | **55,611** |
| Net valuation gain/(loss) on investment properties | – | – | 13,500 | 243,422 | **(73,481)** |
| Loss on settlement of pre-existing relationship | – | – | – | – | **(34,899)** |
| Net finance costs | (19,002) | 26,096 | 56,829 | (43,962) | **(69,753)** |
| Profit/(loss) before taxation | 28,549 | (33,086) | (254,925) | 805,450 | **354,521** |
| Income tax | (116,827) | (93,964) | (93,676) | (234,995) | **(151,201)** |
| Loss from discontinued operation, net of tax | (14,513,350) | – | – | – | **–** |
| (Loss)/profit for the year | (14,601,628) | (127,050) | (348,601) | 570,455 | **203,320** |

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | 2016<br>RMB'000 | 2017<br>RMB'000 | 2018<br>RMB'000 | 2019<br>RMB'000 | **2020**<br>**RMB'000** |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | 10,490,669 | 8,808,396 | 11,589,305 | 13,505,339 | **19,119,384** |
| Total liabilities | (3,525,483) | (1,871,518) | (3,075,758) | (4,681,061) | **(6,014,634)** |
| Total equity | 6,965,186 | 6,936,878 | 8,513,547 | 8,824,278 | **13,104,750** |
| Total equity attributable to equity shareholders of the Company | 6,965,186 | 6,936,878 | 8,401,717 | 8,612,927 | **12,812,812** |
| Non-controlling interests | – | – | 111,830 | 211,351 | **291,938** |
| | 6,965,186 | 6,936,878 | 8,513,547 | 8,824,278 | **13,104,750** |

中国地利集团
China Dili Group