中国地利集团
China Dili Group

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

Annual Report 2021

Contents

Corporate Information

Directors

Executive Directors

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

Non-Executive Directors

Yin Jianhong
Liu Lizhen

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

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Cayman Islands

Principal Place of Business in Hong Kong

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Hong Kong

China Offices

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Chaoyang District
Beijing, China

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

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Wanchai
Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 1387

Investor Relations

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Chairman's Statement

In 2021, despite the complex and volatile macro environment, including the recurrence of COVID-19 pandemic, the slowdown of economic growth and the decline of consumption, with the concerted efforts and joint commitment of all our colleagues, China Dili Group's operation maintained a stable but progressing development trend, and achieved a revenue of RMB1.74 billion in 2021, an increase of 20.3% as compared with last year. The Group also achieved a net profit of RMB250 million, an increase of 23.8% when compared with that of last year.

Actively Fulfilling Mission Through Anti-pandemic, Supply Assurance and Rural Revitalization

As a leading domestic agricultural products distribution service enterprise, China Dili Group responds to the national call of "promoting rural revitalization and achieving common prosperity" in all aspects. By fully utilizing the resource advantage of agricultural products production and marketing docking, the Group actively promotes the upgrading of agricultural products industry and helps farmers to increase their income for a better living, thus realizing high quality development in the effort of promoting rural revitalization and common prosperity. The Group has taken the initiative to fulfill its social responsibility as a livelihood enterprise, and contributed its strength in various fields such as anti-pandemic and supply assurance and disaster relief, ensuring sufficient supply and stable prices of the "non-staple food" and "vegetables and fruits", which won wide recognition and praise from all walks of life.

External and Internal Expansion for Core Business and the Consolidation of Development Cornerstones

China Dili Group insists on taking the agricultural produce logistics parks as the core. Through the "combination of light and heavy" approach of software and hardware upgrades, operation and management optimization along with light assets exportation, investment and acquisition, the Group has continuously expanded and strengthened its core business of agricultural wholesale. As for the improvement of the agricultural produce logistics parks, the Group has vigorously promoted a number of agricultural wholesale market digitization projects such as the smart cloud agricultural wholesale system, the online management system of stalls and the agricultural traceability system, and progress has been made in terms of the "five" standards of the agricultural wholesale market, namely convenience, wisdom, humanity, characteristics and standardization. As for the expansion of agricultural produce logistics parks, the Group commenced the construction for the Group's Yunnan Plateau International Agricultural Produce Logistics Park (雲南高原國際農產品物流園). The Group signed a strategic cooperation agreement with Fuzhou Zonshine Group (福州正祥集團) to jointly plan, construct and manage the Fuzhou Zonshine Strait Agricultural Produce Logistics Park (福州正祥海峽農產品物流園), expanding the Group's business presence in the agricultural wholesale industry.

With Services and Technology Empowering Industry, Supply Chain Capabilities Continue to Improve

Taking advantage of the network connection of its own agricultural logistics parks and making full use of modern technology and digitization, China Dili Group continues to improve the comprehensive service capacity of the agricultural supply chain, reduce the costs and improve the efficiency of agricultural products distribution. In 2021, the Group continued to enhance the construction of agricultural products supply chain capabilities, basically established an integrated supply chain service system for agricultural products harvesting, warehousing, processing, distribution and marketing, thereby gradually building up a one-stop and integrated agricultural products distribution service capability. We established a network of supply chain service centers in core cities such as Hangzhou, Guiyang, Shenyang, Kunming and Lanzhou, and achieved a year-on-year growth of 319.2% in sales of agricultural products. The joint venture project between the Group and JD.COM, the supply chain service center of Jingdida agricultural production area, was completed and officially put into operation in Shouguang. The Yinongpi (億農批) B2B trading platform for agricultural products and the double-blind matching platform of agricultural products logistics self-developed by the Group went online for trial operation. The initial establishment of the integrated services business model of online trading and offline contract fulfillment for the distribution of agricultural products of China Dili Group has laid the foundation for the nationwide replication of the new model of agricultural product distribution in the future.

Chairman's Statement

On the road of future development, China Dili Group will continue to uphold the mission of "empowering China's food distribution for a quality life" and maintain the national sentiment of "not forgetting our initiative and serving the country through industry development". We actively construct a new "Production — Distribution — Retail" all-in-one layout for agricultural product distribution and continuously expand the agricultural product distribution network for an integrated service dedicated to the entire industrial chain of agricultural products, thus improving the efficiency and effectiveness of the agricultural product distribution industry and realizing the seamless connection of primary, secondary and tertiary industries of agricultural products. Through all of our efforts, China Dili Group will help boost the rural revitalization in China, protecting the freshness and safety of foods, and becoming the most trustworthy food distribution service enterprise in China!

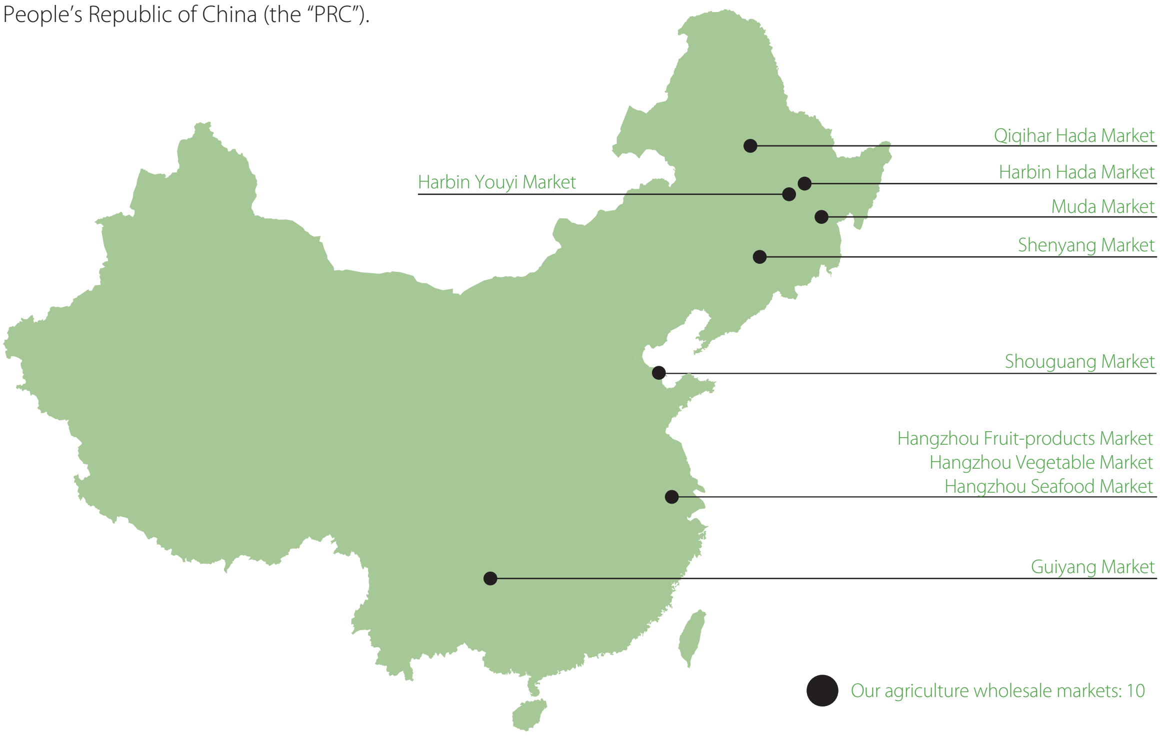
Wang Yan
Chairman

24 March 2022

Management Discussion and Analysis

Our Business

During the year, the principal business of the Group was the operation of 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 Gross 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 188,281 sq.m.	Approximately 1.4 million tonnes

* *For identification purpose only*

\# "GFA" represents Gross 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 1.5 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 0.8 million tonnes

* *For identification purpose only*

\# "GFA" represents Gross Floor Area

Management Discussion and Analysis

Business Review

Investment in Dili Fresh

On 31 October 2019, the Company completed the acquisition of 19% equity interests in Million Master Investment Limited ("Million Master"). Million Master and its subsidiaries (collectively the "Dili Fresh") operate through their PRC subsidiaries, the business of agricultural produce supermarket chain, fresh food chain and supply chain and logistics management in the PRC under the brand name of "Dili Fresh". The total consideration for the acquisition was RMB950 million. As at 31 December 2021, the fair value of the investment in Dili Fresh and the derivative financial instruments embedded in investment in Dili Fresh was RMB1,068.4 million. The net unrealised gain on the investment was RMB88.9 million during the year ended 31 December 2021. The investment represents more than 5% of the total assets in the Group's consolidated statement of financial position. The acquisition is a key milestone for the Group's expansion into the downstream agricultural retail business. Since the completion of the acquisition of Dili Fresh, the Group has been working closely with Dili Fresh's management team to create synergies for both parties, especially in the area of fresh produce sourcing.

Core Business Steadily Improving

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

Scaling Up Supply Chain Capabilities

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

Being Active in Creating Social Value

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

Management Discussion and Analysis

Financial Review

Revenue

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

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

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

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

Management Discussion and Analysis

Financial Review *(Continued)*

Revenue *(Continued)*

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

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

Notes:

(i) The rise in revenue was due to increase in leased areas, the occupancy rate and the commission rate was revised upwards.

(ii) The rise in revenue was mainly due to the increase in the transaction volume as the COVID-19 pandemic is stabilising gradually.

(iii) The drop in revenue was mainly due to the decrease in the transaction volume, leased areas and the occupancy rate which had been deeply hit when some of the imported fruits were contaminated by COVID-19 virus in Harbin markets.

Gross profit and gross profit margin

The gross profit from the sales of agricultural products was RMB15.0 million for the year ended 31 December 2021 as compared to RMB6.9 million for the year ended 31 December 2020.

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

Management Discussion and Analysis

Financial Review *(Continued)*

Gross profit and gross profit margin *(Continued)*

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

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

Other income

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

Operating expenses

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

Administrative expenses

Administrative expenses mainly comprised staff cost and depreciation.

Finance income

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

Finance costs

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

Liquidity and Financial Resources

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

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

Management Discussion and Analysis

Financial Review *(Continued)*

Liquidity and Financial Resources *(Continued)*

The maturity profile of the Group's interest-bearing borrowings as at 31 December 2021 are repayable as follows:

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

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

Capital Structure and Treasury Policy

On 25 December 2020, the Company and the subscriber entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the Company has conditionally agreed to allot and issue, and the subscriber has conditionally agreed to subscribe for a total of 478,067,066 subscription shares at the subscription price of HKD1.67 per subscription share (the "Subscription"). The subscriber is a wholly-owned subsidiary of JD.com, Inc.. JD.com, Inc. is a leading technology driven e-commerce company transforming to become a leading supply chain-based technology and service provider, the American depositary shares of which are listed on Nasdaq under the symbol "JD" and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 9618). The Subscription represents an excellent opportunity for the Company to broaden its shareholder base and to finance future development and expansion of the businesses of the Group. In addition, it will also create synergies between the businesses of the Group and JD.com, Inc. and facilitate future development and business growth of the Group.

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

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

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

Management Discussion and Analysis

Financial Review *(Continued)*

Use of Proceeds from the Rights Issue

As stated in the circular to the shareholders of the Company dated 25 June 2018, the Group had plans to use the proceeds obtained from the rights issue. The proceeds have been partially utilised and the residual balance from the rights issue are expected to be utilised on or before 31 December 2022. The amount used during the year ended 31 December 2021 and the residual balance to be used as at 31 December 2021 are as follows:

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

Use of Proceeds from the Subscription

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

Charges on Assets

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

Capital Commitment

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

Contingent Liabilities

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

Management Discussion and Analysis

Financial Review *(Continued)*

Gearing Ratio

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

Human Resources

As at 31 December 2021, the Group employed 2,651 staff (as at 31 December 2020: 2,512 staff). The Group's employees are remunerated according to the job nature, individual performance and market trends with built-in merit components. Total remuneration for the year ended 31 December 2021 was approximately RMB419.1 million as compared with RMB422.7 million for the year ended 31 December 2020. We have established a training program that aims to support and encourage members of our management team to continue improving their management skills and develop their careers, including arranging for seminars. We provide orientation training as well as on-the-job training on a regular basis on various topics, such as internal regulations, computer and management skills, sales skills and career development. Employees in Hong Kong participate in Mandatory Provident Fund Scheme while employees in the PRC also participate in similar scheme.

Directors and Senior Management Profile

Executive Directors

Mr. WANG Yan (王岩), aged 56, 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 30, 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 48, was appointed as our Executive Director in June 2020. Ms. Qin is also the vice president and Chief Operating Officer of the Company. Ms. Qin joined the Group in December 2019 and is responsible for market operation, innovative business and digital platform of the Group as well as being a director of various subsidiaries of the Company. She has over 10 years' experience in technical development and over 18 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 Directors

Mr. YIN Jianhong (尹建宏), aged 64, 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).

Mr. LIU Lizhen (劉利振), aged 44, was appointed as our Non-executive Director in December 2021. He graduated with a bachelor degree in administration management in Xiamen University and is studying EMBA in China Europe International Business School. He has extensive experience in the operation of retail business. Mr. Liu joined JD Group in January 2011 and is a senior executive of JD Group. He is currently a vice president of JD Group and the president of JD FMCG Omni-channel. He is responsible for leading the supermarket business in online FMCG and fresh food, 7FRESH, YHD.com, etc. and the integration of omni-channel, full scenarios and full category. In addition, Mr. Liu had highly contributed in the development of the superstores of JD Group and maintaining its leading position in online and offline convenience stores in China markets during his tenure in baby and maternity products merchandising division, dried food division, consumer goods division, etc. Mr. Liu was awarded the "best helmsman (最佳舵手)" in 2016 and one of "the ten best navigators (十佳領航者)" of JD Group in 2018 and 2019 consecutively. Mr. Liu is also a director of Better Life Commercial Chain Share Co., Ltd. (the securities of which are listed on the Shenzhen Stock Exchange with stock code: 002251). Prior to joining JD Group, Mr. Liu had successively worked for Wal-Mart and Tesco during which he was responsible for management and operation of multi-category products.

Independent Non-Executive Directors

Mr. FAN Ren-Da, Anthony (范仁達), aged 61, joined in 2007 as an Independent Non-executive Director of the Company. He is 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 currently an executive director of Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868) and an independent non-executive director of CITIC Resources Holdings Limited (Stock Code: 1205), 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), 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. In the past three years, Mr. Fan was an independent non-executive director of Raymond Industrial Limited (Stock Code: 229) which is listed on the Main Board of the Stock Exchange.

Mr. WANG Yifu (王一夫), aged 71, was appointed as an Independent Non-executive Director of the Company in August 2008. He is 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 65, was appointed as the Independent Non-executive Director of the Company in December 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 Blue River Holdings Limited (formerly known as 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 63, was appointed as the Independent Non-executive Director of the Company in December 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 58, 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 54, 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 40, 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 near 20 years experience in strategy, human resources, corporate culture, IT applications and other aspects. Mr. Bai graduated from Peking University with a master degree of business administration.

Mr. WANG Haigen (王海根), aged 64, is our vice president and also general manager of Hangzhou segment and the chief commander of the construction project of our Kunming market. Mr. Wang joined the Group in 2017. Prior to joining our Group, he served as chairman and general manager of Huangzhou Fruit-products Group Co., Ltd. as well as secretary of party committee, deputy chairman of China Fruit Marketing Association and chairman of Zhejiang Fruit Marketing Association. He has extensive experience in corporate operation management. Mr. Wang graduated from Zhejiang Radio & Television University (currently known as Zhejiang Open University) and was granted the title of Senior Economist.

* *For identification purpose only*

Directors and Senior Management Profile

Mr. GENG Xiaoguo (耿孝國), aged 57, 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 acting general manager of Shenyang Dili since 2018 and in charge of business operation, market planning and agriculture wholesaling management. Mr. Geng graduated from Heilongjiang University (黑龍江大學) with a bachelor's degree in law.

Mr. HUNG Fan Kwan (孔繁崑), FCPA, FCCA, aged 57, is our vice president and chief financial officer as well as company secretary. He 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.

Mr. ZHANG Guoming (張國民), aged 60, is the general manager of Guiyang Dili Agricultural Produce Logistic Park Co., Ltd. (the grade of the Group's vice president). Mr. Zhang joined the Group in 2009, he has engaged in agriculture wholesale market's operation management in Shouguang Dili Market, Shenyang Dili Market and Guiyang Dili Market successively. He has over 10 years management experience in agriculture wholesale market's operation management. Prior to joining the Group, he worked for People's Liberation Army as a pilot of Air Force. Mr. Zhang joined the People's Liberation Army in 1979 and graduated from Air Force Logistics University (中國人民解放軍空軍勤務學院) in 1995 with a bachelor's degree in economics management.

Mr. ZHAN Hao (詹昊), aged 40, is the general manager of the Group's Investment and Financing Division (the grade of the Group's vice president) and is responsible for the Group's strategic equity financing and external investments. Mr. Zhan joined the Group in 2020. Prior to joining the Group, he worked for Ping An Bank and HC Group Inc. and held senior management positions. He has various years' experience in investment and financing as well as operation management in finance and internet businesses. Mr. Zhan graduated from Jiangnan University with computer science and obtained a bachelor's degree in engineering.

Mr. HUANG Jingkai (黃鏡愷), aged 40, is the general manager of the Group's Supply Chain and Ecosystem Division (the grade of the Group's vice president). Mr. Huang joined the Group in 2020. Prior to joining the Group, he held senior management positions in a reputable PRC logistic and supply chain company and served as chief executive officer and deputy chairman of the board of a Hong Kong listed company successively. He has extensive experience in the integration of logistics and supply chain operation as well as import and export trading, international mergers and acquisitions and post-investment management. Mr. Huang graduated from Shenzhen University with double bachelor's degrees in law and Chinese literature and is studying EMBA in China Europe International Business School. He is also a qualified lawyer and a qualified secretary to the board in the PRC.

* *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 2021.

Principal Activities

The Company acts as an investment holding company. The principal activities of its major subsidiaries as at 31 December 2021 are set out in note 15 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 in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 3 to 14 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 environmental policies and performance of the Group for the year ended 31 December 2021 will be set out in the Environmental, Social and Governance Report to be published separately.

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.

Report of the Directors

Potential Risk Factors *(Continued)*

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 2021 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.

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	2%	
Five largest customers in aggregate	8%	
The largest supplier		17%
Five largest suppliers in aggregate		60%

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 2021 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 52 to 138.

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 2021 (2020: Nil).

Transfer to Reserves

Profit attributable to equity Shareholders, before dividends, of RMB245,042,000 (2020: profit of RMB194,207,000) 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 2021 on pages 56 to 57.

Report of the Directors

Distributable Reserves

As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the provisions of Cayman Companies Act, amounted to approximately RMB2,536,277,000 (as at 31 December 2020: RMB2,368,561,000).

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB7,355,000 (2020: RMB16,156,000).

Property and Equipment

Details of the changes in property and equipment of the Group are set out in note 11 to the financial statements.

Investment Properties

Details of the changes in investment properties 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

Non-executive Directors

Yin Jianhong
Liu Lizhen (was appointed on 6 December 2021)
Fung Yat, Carol (was appointed on 25 June 2021 and resigned on 6 December 2021)

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 15 to 18 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, Mr. Wang Yan, Mr. Liu Lizhen, Mr. Wang Yifu and Mr. Tang Hon Man 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 7 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 2021.

The emolument policy of the Company is set out in the Corporate Governance Report on pages 36 to 44 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 2021.

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 27 to 28 of this annual report, no other equity-linked agreements were entered into by the Company during the year ended 31 December 2021 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 2021, 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 (the "Model Code") 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
Mr. Dai Bin	Beneficiary of a discretionary trust *(Note)*	Long position	5,526,147,441	62.12%
		Short position	6,655,629	0.07%
Ms. Qin Xiang	Interest of spouse	Long position	800,000	0.01%
Mr. Yin Jianhong	Beneficial owner	Long position	4,835,000	0.05%

Note: Mr. Dai Bin is a beneficiary of the Dai Family Trust, a discretionary trust which was established by his parents, Mr. Dai Yongge and Ms. Zhang Xingmei. Details of which were set out in note (2) to the section headed "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares".

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 31 December 2021, 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 2021, 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 substantial shareholder	Capacity	Number of issued shares/ Nature of interest *(Note 1)*	Approximate percentage of interest in the Company *(Note 2)*
Mr. Dai Yongge	Beneficial Owner	20,007,000 (L)	0.22%
	Interest in controlled corporations *(Note 3)*	99,211,066 (L)	1.12%
	Founder of a discretionary trust *(Note 4)*	5,526,147,441 (L)	62.12%
	Founder of a discretionary trust *(Note 4)*	6,655,629 (S)	0.07%
Ms. Zhang Xingmei	Interest of spouse *(Note 5)*	119,218,066 (L)	1.34%
	Founder of a discretionary trust *(Note 4)*	5,526,147,441 (L)	62.12%
	Founder of a discretionary trust *(Note 4)*	6,655,629 (S)	0.07%
Zedra Asia Limited	Trustee *(Note 4)*	5,526,147,441 (L)	62.12%
	Trustee *(Note 4)*	6,655,629 (S)	0.07%
Truly Gain Limited	Interest in controlled corporations *(Note 4)*	5,526,147,441 (L)	62.12%
	Interest in a controlled corporation *(Note 4)*	6,655,629 (S)	0.07%
Super Brilliant Investments Limited	Beneficial owner	2,011,810,466 (L)	22.61%
	Beneficial owner	6,655,629 (S)	0.07%
New Amuse Limited	Beneficial owner	3,514,336,975 (L)	39.50%
Mr. Liu Qiangdong Richard	Beneficiary of a Trust *(Note 6)*	478,067,066 (L)	5.37%
UBS Trustees (B.V.I.) Limited	Trustee *(Note 6)*	478,067,066 (L)	5.37%
Max Smart Limited	Interest in a controlled corporation *(Note 6)*	478,067,066 (L)	5.37%
JD.com, Inc.	Interest in a controlled corporation *(Note 6)*	478,067,066 (L)	5.37%
JD.com Investment Limited	Interest in a controlled corporation *(Note 6)*	478,067,066 (L)	5.37%
Nelson Innovation Limited	Beneficial owner	478,067,066 (L)	5.37%
China Strategic Holdings Limited	Interest in a controlled corporation *(Note 7)*	590,000,000 (L)	6.63%
U Credit (HK) Limited	Person having a security interest in shares *(Note 7)*	590,000,000 (L)	6.63%
Huatai Securities Co., Ltd.	Interest in a controlled corporation (the interest is substantially in the form of security interest) *(Note 8)*	600,003,000 (L)	6.74%

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) Certain percentage figures have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic sum of such figures.

(3) Among 99,211,066 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; 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.

(4) Mr. Dai Yongge and Ms. Zhang Xingmei established a discretionary family trust (the "Dai Family Trust"). Zedra Asia Limited ("Zedra Asia") acts as the trustee of the Dai Family Trust and holds an aggregate of 5,526,147,441 shares of the Company through Truly Gain Limited ("Truly Gain"), a wholly-owned subsidiary of Zedra Asia. Super Brilliant Investments Limited ("Super Brilliant") and New Amuse Limited ("New Amuse") are direct wholly-owned subsidiaries of Truly Gain. Accordingly, each of Mr. Dai Yongge, Ms. Zhang Xingmei, Zedra Asia and Truly Gain is deemed to be interested in the shares held by Super Brilliant and New Amuse.

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

(6) Mr. Liu Qiangdong Richard ("Mr. Liu") is a beneficiary of a trust (the "Private Trust") which is other than a discretionary trust. UBS Trustees (B.V.I.) Limited ("UBS Trustees") acts as the trustee of the Private Trust and Max Smart Limited ("Max Smart") is wholly-owned by it through UBS Nominees Limited ("UBS Nominees"), a wholly-owned subsidiary of UBS Trustees. Max Smart holds approximately 73% in JD.com, Inc. ("JD.com"). Fortune Rising Holdings Limited is a company wholly-owned by Mr. Liu and holds approximately 3.9% in JD.com. JD.com holds the entire issued share capital of JD.com Investment Limited ("JD Investment"). JD Investment holds the entire issued share capital of Nelson Innovation Limited ("Nelson Innovation"). Accordingly, each of Mr. Liu, UBS Trustees, UBS Nominees, Max Smart, JD.com and JD Investment is deemed to be interested in the shares held by Nelson Innovation.

(7) U Credit (HK) Limited ("U Credit") and China Strategic Holdings Limited ("China Strategic Holdings") fall into the substantial shareholders under the SFO by virtue of the security interest disclosed in the table above. Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed on 8 February 2021, China Strategic Holdings holds the entire issued share capital of China Strategic Asset Holdings Limited ("China Strategic Asset"). China Strategic Asset holds the entire issued share capital of China Strategic Financial Holdings Limited ("China Strategic Financial"). China Strategic Financial holds the entire issued share capital of U Credit. Accordingly, China Strategic Holdings is deemed to be interested in the security interest held by U Credit.

(8) Huatai Securities Co., Ltd. ("Huatai Securities") falls into the substantial shareholder under the SFO upon the acquisition of a security interest of 600,000,000 shares of the Company by its wholly-owned subsidiary, Huatai Financial Holdings (Hong Kong) Limited ("Huatai Financial"). Based on the Disclosure of the Interest of Corporate Substantial Shareholder Notice filed on 20 September 2021, Huatai Securities holds the entire issued capital of Huatai International Financial Holdings Company Limited ("Huatai International"). Huatai International holds the entire issued capital of Huatai Financial. Accordingly, each of Huatai Securities and Huatai International is deemed to be interested in security interest held by Huatai Financial.

Report of the Directors

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

Save as disclosed above and so far as the Directors are aware of, as at 31 December 2021, 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.

Issue of Securities

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 Subscription was completed on 4 February 2021 and 478,067,066 Shares had been issued to Nelson Innovation on the same date. The gross proceeds and the net proceeds (after deduction of the relevant expenses and fees) from the Subscription were HKD798,372,000 and approximately HKD796,681,000, respectively. The Company intended to use the net proceeds from the Subscription for possible investment(s) in the future when opportunities arise and as general working capital of the Group.

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 2021, the Trustee had purchased a total of 123,796,200 existing shares of the Company from the market with a total cost of approximately RMB285.7 million. During the year, the Company has not issued any shares or granted any awarded shares under the Share Award Scheme to any selected employees.

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

Continuing Connected Transactions

Details of the continuing connected transactions during the year ended 31 December 2021 are as follows:

A. *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）("Harbin Dili Fresh", a wholly-owned subsidiary of Million Master Investment Limited ("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 Limited ("Yield Smart", a wholly-owned subsidiary of the Company) 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 ("Acquisition Agreement") in respect of the acquisition of 19% equity interest in Million Master by Yield Smart from Plenty Business. Million Master and its subsidiaries (collectively the "Dili Fresh") operate through their PRC subsidiaries, the business of agricultural produce supermarket chain, fresh food chain and supply chain and logistic management in the PRC under the brand name of "Dili Fresh".

On 13 March 2020, Harbin Dili and Harbin 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 Harbin Dili Fresh or the group companies of Dili Fresh (the "Dili Fresh Group") may obtain from third-party banks from time to time, at a guarantee fee chargeable to Harbin Dili Fresh or the Dili Fresh Group.

Details of which are set out in the circulars of the Company dated 30 September 2019 and 16 April 2020.

* *For identification purpose only*

Report of the Directors

Continuing Connected Transactions *(Continued)*

A. *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) 13 March 2020 (Supplemental Agreement)
Parties:	Harbin Dili as lender Harbin 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 Harbin Dili Fresh and ending on the third anniversary of the completion of Dili Fresh Acquisition
Maturity date:	The earlier of: (i) 31 December 2023; (ii) the exercise of the put option pursuant to the Acquisition Agreement; and (iii) third anniversary from drawdown, provided that Harbin 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: (i) 6% per annum, which is determined with reference to the prevailing interest rate(s) in the market; and (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

Continuing Connected Transactions *(Continued)*

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

Guarantee fee:	The guarantee fee shall be the higher of: (i) 2% per annum; and (ii) the difference between 6% per annum and the actual interest rate per annum on which Harbin Dili Fresh or the Dili Fresh Group borrows from third-party banks
Annual caps for the aggregate of the principal amount of the Loan outstanding and the guaranteed amount:	RMB2 billion commencing from the drawdown of the Loan to 31 December 2019 and for the financial years ended or ending 31 December 2020, 2021, 2022 and 2023
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 ended or ending 31 December 2020, 2021, 2022 and 2023
Security:	The Loan was secured by: (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 (ii) the share charge in relation to all the shares of Plenty Business and the guarantee provided by Mr. Dai Yongge, both in favour of Yield Smart and will be released in the event of the exercise of the call option pursuant to the Acquisition Agreement in full 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: (i) expanding the network of the Dili Fresh stores and the franchise business; (ii) investing in online e-commerce platform; and (iii) as general working capital of Million Master and its subsidiaries

Report of the Directors

Continuing Connected Transactions *(Continued)*

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

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 Harbin Dili Fresh under Chapter 14A of the Listing Rules. Accordingly, such transaction requires to be disclosed in the Company's annual report.

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 2021, the aggregate amount of the Loan outstanding and the guarantee provided to Dili Fresh Group was RMB1,150.0 million in which (i) the total amount drawn down by Dili Fresh Group was RMB1,020.0 million and was funded by internal resources of the Group, at interest rate of 6% per annum, with the interest income on the Loan in the amount of approximately RMB45.6 million for the year ended 31 December 2021; and (ii) the guarantee amount provided by the Group to Dili Fresh Group was RMB130.0 million with guarantee fee charged at 2% per annum, with the financial guaranteed income in the amount of approximately RMB3.2 million for the year ended 31 December 2021.

B. *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 Harbin 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 Dili 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 agricultural produce" 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

Continuing Connected Transactions *(Continued)*

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

Details of the Framework Agreement are set out below:

Date:	11 September 2020
Parties:	(a) the Company (for itself and on behalf of its subsidiaries) (b) Harbin Dili Fresh (for itself and on behalf of its subsidiaries); and (c) Liaoning Dili 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. Harbin Dili Fresh, Liaoning Dili Fresh Group 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 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 Harbin Dili Fresh and Liaoning Dili 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 Framework Agreement is also required to be disclosed in the Company's annual report.

For the year ended 31 December 2021, the supply chain business between the Group and the Dili Fresh Group was not yet commenced.

Report of the Directors

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 2021 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 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 2021, 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 140 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 2021.

Audit Committee

The Company has established an audit committee in accordance with the requirements of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"). The primary duty of the audit committee is to review and supervise the financial reporting process, risk management and internal control systems of the Group. The audit committee comprises two independent non-executive Directors and a non-executive Director. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2021.

Corporate Governance

The Company has complied with the code provisions in the CG Code throughout the year ended 31 December 2021, save and except for the deviation as disclosed on page 36 in this annual report.

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, 24 March 2022

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

Compliance With The Model Code For Securities Transactions By Directors

The Company has adopted 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 2021.

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 9 Directors as follows:

Executive Directors

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

Non-executive Directors

Yin Jianhong
Liu Lizhen

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")

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 the 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 operation and management of the Group.

During the year ended 31 December 2021, the Company held five Board meetings, an AGM and an extraordinary general meeting ("EGM") 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	No. of Board meetings attended	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	5	5	100%	0/2
Dai Bin	5	5	100%	0/2
Qin Xiang	5	2	40%	0/2
Non-executive Directors				
Yin Jianhong	5	4	80%	0/2
Liu Lizhen *(Note 1)*	0	N/A	N/A	0/0
Fung Yat, Carol *(Note 2)*	2	0	0%	0/0
Independent Non-executive Directors				
Fan Ren-Da, Anthony	5	5	100%	2/2
Wang Yifu	5	5	100%	0/2
Leung Chung Ki	5	5	100%	0/2
Tang Hon Man	5	5	100%	0/2

Notes:

1. Was appointed on 6 December 2021.

2. Was appointed on 25 June 2021 and resigned on 6 December 2021.

Corporate Governance Report

Nomination Committee

The Company established the Nomination Committee on 25 August 2008 with written terms of reference in compliance with the Listing Rules and 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 2021, the Nomination Committee held two meetings 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)	2	2	100%
Wang Yan	2	2	100%
Wang Yifu	2	2	100%

Corporate Governance Report

Remuneration Committee

The Company established the Remuneration Committee on 25 August 2008 with written terms of reference in compliance with the Listing Rules and 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 2021, the Remuneration Committee held four 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)	4	4	100%
Wang Yan	4	3	75%
Wang Yifu	4	4	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 2021 are set out in note 7 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 2021, 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 the Audit Committee on 25 August 2008 with written terms of reference in compliance with the Listing Rules and 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 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 2021, 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 year	No. of meetings attended	Attendance rate
Fan Ren-Da, Anthony (Chairman)	2	2	100%
Wang Yifu	2	2	100%
Yin Jianhong	2	2	100%

Auditors' Remuneration

During the year ended 31 December 2021, the remunerations paid or payable to KPMG in respect of its audit services and non-audit services are RMB6,000,000 and RMB3,180,000 respectively. The non-audit services mainly included the independent review of the interim results of the Group for the six months ended 30 June 2021 and special project.

Corporate Governance Report

Accountability and Audit

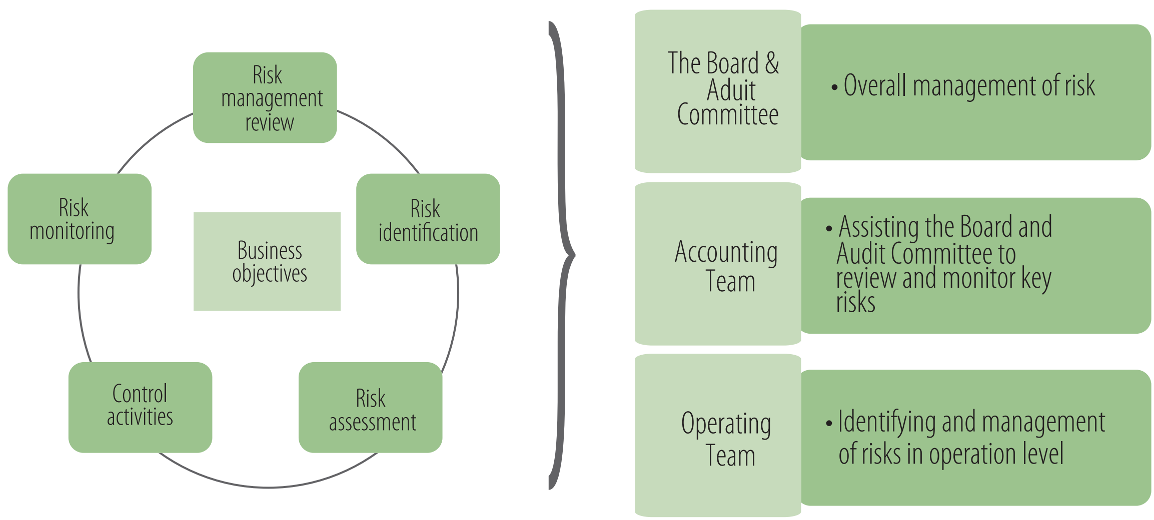
The Directors acknowledged their responsibilities for preparing all information and representations contained in the financial statements of the Company for the year under review. The Directors considered that the financial statements have been prepared in conformity with all appropriate accounting standards 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 2021. 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:



Corporate Governance Report

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 2021, 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 2021, 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, 26 Harbour Road, Wanchai, Hong Kong
Email:	ir@dili.com.hk

Changes in Constitutional Documents

During the year ended 31 December 2021, the Company did not make any significant changes to its constitutional documents.

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 52 to 138, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021 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 14 to the consolidated financial statements and the accounting policies in Note 2(g).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2021, 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, amounted to RMB1,743,701,000 and accounted for approximately 8.7% of the Group's total assets at that date. The Dili Business and Hada Business are identified as one cash-generating unit ("CGU") (the "Dili and Hada Business") and the Hangzhou Business are 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. 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: • 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; • Involving our internal valuation specialists to assist us in evaluating valuating 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;

Independent Auditor's Report

Key audit matters *(Continued)*

Assessment of impairment of goodwill *(Continued)*

Refer to Note 14 to the consolidated financial statements and the accounting policies in Note 2(g).

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 • 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 trade and other receivables

Refer to Notes 19 and 28(a) to the consolidated financial statements and the accounting policies in Notes 2(n) and 2(q).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2021, the carrying amount of trade and other receivables amounted to RMB1,773,792,000 (after provision of RMB61,666,000), which accounted for approximately 8.8% 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. 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. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. ECL allowances are measured at an amount equal to lifetime ECLs where there has been a significant increase in credit risk of the other receivable since initial recognition. And 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: • Obtaining an understanding of and assessing the design and implementation of management's key internal controls relating to credit control, segmentation of trade and other receivables, debt collection and estimating the credit loss allowance; • Evaluating the Group's policy for estimating the credit loss allowance with reference to the prevailing accounting standards; • 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 trade and other receivables based on credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate; • 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 trade and other receivables *(Continued)*

Refer to Notes 19 and 28(a) to the consolidated financial statements and the accounting policies in Notes 2(n) and 2(q).

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. We identified assessment of ECL allowance for trade and 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 trade and other receivables aging report by inspecting, on a sample basis, contracts with debtors, sales invoices the cash receipts of the transactions and other relevant underlying documentation. • Re-performing the calculation of the loss allowance as at 31 December 2021 based on the Group's credit loss allowance policies.

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.

Independent Auditor's Report

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.

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.

Independent Auditor's Report

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

(Continued)

- 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.

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 *Cheung Tsz Chung*.

Certified Public Accountants

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

24 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Revenue	*3(a)*	**1,744,575**	1,450,148
Other income	*4*	**153,608**	163,733
Cost of goods sold		**(325,776)**	(74,381)
Distribution costs		**(31,868)**	–
Operating expenses		**(340,359)**	(345,306)
Administrative expenses		**(680,628)**	(701,321)
Impairment losses on trade and other receivables	*19*	**(45,836)**	(15,830)
Profit from operations		**473,716**	477,043
Net unrealised gains on financial assets measured at fair value through profit or loss	*17(i)*	**88,940**	55,611
Net valuation losses on investment properties	*12*	**(91,146)**	(73,481)
Loss on settlement of pre-existing relationship		**–**	(34,899)
Share of loss of an associate		**(6,243)**	–
Net finance costs	*5(b)*	**(78,120)**	(69,753)
Profit before taxation	*5*	**387,147**	354,521
Income tax	*6*	**(135,493)**	(151,201)
Profit for the year		**251,654**	203,320
Attributable to:			
Equity shareholders of the Company		**245,042**	194,207
Non-controlling interests		**6,612**	9,113
Profit for the year		**251,654**	203,320
Basic and diluted earnings per share (RMB cents)	*10*	**2.81**	2.95

The notes on pages 60 to 138 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

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

The notes on pages 60 to 138 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2021

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current assets			
Property and equipment	*11*	**7,264,223**	7,448,617
Investment properties	*12*	**6,694,700**	6,729,300
Intangible assets	*13*	**14,090**	11,867
Goodwill	*14*	**1,743,701**	1,743,701
Interest in an associate	*16*	**42,757**	–
Other assets	*17*	**1,074,692**	981,152
Trade and other receivables	*19*	**72,567**	509,158
Deferred tax assets	*24(b)*	**15,860**	13,209
Total non-current assets		**16,922,590**	17,437,004
Current assets			
Inventories	*18*	**170,085**	52,532
Trade and other receivables	*19*	**1,701,225**	700,397
Other assets	*17*	**5,886**	14,798
Cash and cash equivalents	*20*	**1,267,010**	914,653
Total current assets		**3,144,206**	1,682,380
Current liabilities			
Interest-bearing borrowings	*21*	**358,654**	1,415,555
Trade and other payables	*22*	**1,047,330**	1,046,560
Contract liabilities		**32,041**	–
Lease liabilities	*23*	**51,656**	52,957
Taxation	*24(a)*	**112,710**	134,607
Total current liabilities		**1,602,391**	2,649,679
Net current assets/(liabilities)		**1,541,815**	(967,299)
Total assets less current liabilities		**18,464,405**	16,469,705

Consolidated Statement of Financial Position

At 31 December 2021

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current liabilities			
Interest-bearing borrowings	*21*	**1,431,500**	305,100
Lease liabilities	*23*	**417,377**	459,781
Deferred tax liabilities	*24(b)*	**2,536,838**	2,561,021
Deferred income		**35,721**	39,053
Total non-current liabilities		**4,421,436**	3,364,955
Net assets		**14,042,969**	13,104,750
Capital and reserves			
Share capital	*25(c)*	**759,624**	719,779
Reserves	*25(d)*	**12,980,556**	12,093,033
Total equity attributable to equity shareholders of the Company		**13,740,180**	12,812,812
Non-controlling interests		**302,789**	291,938
Total equity		**14,042,969**	13,104,750

Approved and authorised for issue by the board of directors on 24 March 2022.

Wang Yan
Chairman

Dai Bin
Director

The notes on pages 60 to 138 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

		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 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)(i)*	–	3,103,678	–	–	–	–	–	–	–	3,103,678	–	3,103,678
Conversion of convertible bond	*25(c)(i)*	240,985	694,748	–	–	–	–	–	–	–	935,733	–	935,733
Shares purchased for the share award scheme		–	–	–	–	–	(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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Share capital RMB'000 *25(c)*	Share premium RMB'000 *25(d)(i)*	Capital redemption reserve RMB'000 *25(d)(ii)*	Capital surplus RMB'000 *25(d)(iii)*	Statutory reserve fund RMB'000 *25(d)(iv)*	Shares held for share award scheme RMB'000 *25(d)(v)*	Exchange reserves RMB'000 *25(d)(vi)*	Merger reserves RMB'000 *25(d)(vii)*	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company											
Balance at 1 January 2021		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
Changes in equity for 2021													
Profit for the year		-	-	-	-	-	-	-	-	245,042	245,042	6,612	251,654
Other comprehensive income		-	-	-	-	-	-	16,923	-	-	16,923	-	16,923
Total comprehensive income		-	-	-	-	-	-	16,923	-	245,042	261,965	6,612	268,577
Transfer to reserve fund	*25(d)(iv)*	-	-	-	-	53,602	-	-	-	(53,602)	-	-	-
Issuance of shares	*25(c)(ii)*	39,845	625,558	-	-	-	-	-	-	-	665,403	-	665,403
Capital contribution		-	-	-	-	-	-	-	-	-	-	10,239	10,239
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(6,000)	(6,000)
Balance at 31 December 2021		759,624	20,002,797	7,508	121,112	992,442	(285,741)	(52,885)	128,704	(7,933,381)	13,740,180	302,789	14,042,969

The notes on pages 60 to 138 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Operating activities			
Profit for the year		**251,654**	203,320
Adjustments for:			
Depreciation	*5(c)*	**275,292**	301,716
Amortization	*13*	**20**	–
Net finance costs		**75,725**	68,262
Net loss on disposal of property and equipment	*4*	**5,770**	3,842
Changes in fair value of investment properties	*12*	**91,146**	73,481
Loss on settlement of pre-existing relationship		**–**	34,899
Net unrealised gains on financial assets measured at fair value through profit or loss	*17(i)*	**(88,940)**	(55,611)
Impairment losses on trade and other receivables	*19*	**45,836**	15,830
Share of loss of an associate		**6,243**	–
Government grants	*4*	**(11,255)**	(16,546)
Income tax	*6*	**135,493**	151,201
Changes in working capital:			
Increase in trade and other receivables and other assets		**(267,704)**	(9,524)
Increase/(decrease) in trade and other payables		**35,594**	(215,510)
Increase in inventories		**(118,873)**	(10,735)
Cash generated from operations		**436,001**	544,625
Income tax paid	*24(a)*	**(184,224)**	(187,896)
Net cash generated from operating activities		**251,777**	356,729
Investing activities			
Acquisition of Hada Business, net of cash acquired		**–**	1,411,290
Investments in an associate		**(49,000)**	–
Proceeds from sale of financial assets measured at fair value through profit or loss		**103,000**	214,437
Payment for purchase of financial assets measured at fair value through profit or loss		**(127,615)**	(214,000)
Net proceeds from disposal of property and equipment		**6,619**	55,241
Interest received		**57,408**	58,824
Payment for purchase of property and equipment and investment properties		**(130,722)**	(16,718)
Payment for purchase of land use right		**–**	(294,297)
Government grant received		**7,923**	14,654
Payment for loans to related parties		**(645,630)**	(445,000)
Proceeds from repayment of loans to related parties		**305,630**	–
Proceeds from repayment of loans and advances to third parties		**–**	418,328
Repayment of deposits		**–**	25,000
(Increase)/decrease in time deposits		**(20,000)**	20,000
Net cash (used in)/generated from investing activities		**(492,387)**	1,247,759

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Financing activities			
Proceeds from issuance of shares		**665,403**	–
Capital element of lease rentals paid		**(53,583)**	(61,923)
Interest element of lease rentals paid		**(23,696)**	(60,989)
Purchase of shares under share award scheme		**–**	(12,454)
Repayment of interest-bearing borrowings		**(1,583,805)**	(1,584,386)
Proceeds from interest-bearing borrowings		**1,653,304**	362,861
Dividends paid to non-controlling interests		**(6,000)**	(9,000)
Capital contribution received from non-controlling interests		**10,239**	80,474
Interest paid		**(88,256)**	(53,761)
Net cash generated from/(used in) financing activities		**573,606**	(1,339,178)
Net increase in cash and cash equivalents		**332,996**	265,310
Cash and cash equivalents at 1 January		**914,653**	651,619
Effect of foreign exchange rate changes		**(639)**	(2,276)
Cash and cash equivalents at 31 December	*20(a)*	**1,247,010**	914,653

The notes on pages 60 to 138 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 Act Chapter 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (together referred to as the "Group") are principally engaged in the operation of agriculture wholesale markets in the People's Republic of China (the "PRC").

2 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Group and the Group's interest in an associate. 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(j));

– investments in equity securities (see Note 2(h)); and

– derivative financial instruments (see Note 2(i)).

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 33.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

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

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

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

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

(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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

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

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.

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(h)) 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(n)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(f) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 2(g) and (n)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the ECL model to such other long-term interests where applicable (see Note 2(n)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint 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(h)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see Note 2(n)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(g) 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(n)).

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)*

(h) 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(y)(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(y)(iv).

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(i) 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.

(j) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(m)) 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(y)(i).

(k) Property and equipment

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

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.

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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(k) Property and equipment *(Continued)*

– 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.

(l) 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(n)(iii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Trademarks	5 to 10 years

Both the period and method of amortisation are reviewed annually.

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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(m) 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.

(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 initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see Notes 2(h)(i), 2(y)(v) and 2(n)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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)*

(m) 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 rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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(y)(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(m)(i), then the Group classifies the sub-lease as an operating lease.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(n) 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, trade receivables 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.

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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(n) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

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)*

(n) 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.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(y)(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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(n) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments (Continued)

Basis of calculation of interest income (Continued)

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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(n) Credit losses and impairment of assets *(Continued)*

(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.

Financial guarantees issued are initially recognised 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(y)(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 carrying amount 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(n)(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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(n) 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, associates and joint ventures 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). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

- 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).

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(n) 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(n)(i) and (ii)).

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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(o) 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.

(p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(y)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(n)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(q)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(y)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(q)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(y)).

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(q) Trade and 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.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(n)(i)).

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(s) 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(n)(i).

(t) 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(aa)).

(u) Convertible notes that contain an equity component

Convertible notes that can be converted into ordinary shares at the option of the holder, where fixed number of shares are issued for a fixed amount of cash or other financial assets, 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 the 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 not remeasured and 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(v) 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(w) 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.

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(j), 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(w) 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.

(x) Provisions, contingent liabilities and onerous contracts

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(y) 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 receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. 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.

(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(n)(i)).

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(y) Revenue and other income *(Continued)*

(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(n)(ii)).

(viii) Sales of agricultural products

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

(z) 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(aa) 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.

(bb) 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.

Notes to the Financial Statements

2 Significant accounting policies *(Continued)*

(bb) 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.

(cc) 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.

Notes to the Financial Statements

3 Revenue and segment reporting

The principal activities of the Group are lease and management of agriculture wholesale markets and sales of agricultural products. Further details regarding the Group's principal activities are disclosed in Note 15.

(a) Disaggregation of revenue

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

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

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

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue during the year (2020: Nil).

(b) Segment reporting

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

- Operation of agriculture wholesale markets which represents lease and management of agriculture wholesale markets

- Sales of agricultural products which represents trading of agricultural products

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2021 and 2020 is set out below.

Notes to the Financial Statements

3 Revenue and segment reporting *(Continued)*

(b) Segment reporting *(Continued)*

2021

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

2020

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

Notes to the Financial Statements

3 Revenue and segment reporting *(Continued)*

(b) Segment reporting *(Continued)*

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

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

(c) Reconciliation of reportable segment profit

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

Notes to the Financial Statements

4 Other income

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

5 Profit before taxation

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

(a) Personnel expenses

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

(b) Net finance costs

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

Notes to the Financial Statements

5 Profit before taxation *(Continued)*

(c) Other items

	Note	2021 RMB'000	2020 RMB'000
Depreciation	*11*		
– owned property and equipment		**206,045**	145,532
– right-of-use assets		**69,247**	156,184
Repairs and maintenance		**38,400**	27,957
Utility charges		**49,700**	40,763
Auditors' remuneration		**10,919**	8,520
Cost of inventories		**325,776**	74,381

6 Income tax

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

	Note	2021 RMB'000	2020 RMB'000
Current tax			
Provision for the year		**159,366**	198,455
Under-provision in respect of prior years		**2,961**	4,550
		162,327	203,005
Deferred tax			
Reversal and origination of temporary differences	*24(b)*	**(26,834)**	(51,804)
		135,493	151,201

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

	2021 RMB'000	2020 RMB'000
Profit before taxation	**387,147**	354,521
Income tax calculated at the rates applicable in the tax jurisdictions concerned (Note (i), (ii) and (iii))	**124,855**	112,554
Tax effect of using tax losses for which no deferred tax asset was recognised in previous periods	**(57,974)**	(8,241)
Effect of non-deductible expenses	**18,250**	8,218
Tax effect of unused tax losses not recognised	**47,401**	34,120
Under-provision in respect of prior years	**2,961**	4,550
	135,493	151,201

Notes to the Financial Statements

6 Income tax *(Continued)*

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

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% (2020: 25%).

(ii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(iii) No provision for Hong Kong Profits Tax has been made as the Group did not earn any profit subject to Hong Kong Profits Tax during the year.

7 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:

	2021				
	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	–	13,082	16,352	15	29,449
Executive directors					
Dai Bin	–	4,010	12,264	26	16,300
Qin Xiang	–	2,825	7,399	54	10,278
Non-executive directors					
Yin Jianhong	–	–	–	–	–
Fung Yat, Carol (appointed in June 2021 and resigned in December 2021)	–	–	–	–	–
Liu Lizhen (appointed in December 2021)	–	–	–	–	–
Independent non-executive directors					
Fan Ren-Da, Anthony	–	392	–	–	392
Wang Yifu	–	294	–	–	294
Leung Chung Ki	–	294	–	–	294
Tang Hon Man	–	294	–	–	294
	–	21,191	36,015	95	57,301

Notes to the Financial Statements

7 Directors' emoluments *(Continued)*

	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

Notes to the Financial Statements

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2020: three) are directors whose emoluments are disclosed in Note 7. The emolument in respect of the other two (2020: two) individuals is as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other emoluments	**8,989**	7,608
Discretionary bonuses	**2,453**	4,629
Retirement scheme contributions	**30**	30
	11,472	12,267

The emolument of the two (2020: two) individuals with the highest emoluments is within the following bands:

	2021 Number of individuals	2020 Number of individuals
HKD6,000,001 – HKD6,500,000	**1**	1
HKD7,500,001 – HKD8,000,000	**1**	–
HKD8,000,001 – HKD8,500,000	**–**	1

9 Other comprehensive income

	2021 RMB'000	2020 RMB'000
Exchange differences on translation of:		
– financial statements of the Company and certain overseas subsidiaries before tax amount and net of tax amount	**16,923**	(21,279)
	16,923	(21,279)

Notes to the Financial Statements

10 Basic and diluted earnings per share

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

Weighted average number of ordinary shares

	Note	2021 '000	2020 '000
Issued ordinary shares at 1 January		**8,418,223**	5,715,593
Effect of shares issued for the conversion of a convertible bond	*25(c)(i)*	**–**	982,103
Issuance of shares	*25(c)(ii)*	**433,534**	–
Effect of shares held for share award scheme	*25(d)(v)*	**(123,796)**	(123,462)
Weighted average number of ordinary shares at 31 December		**8,727,961**	6,574,234

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

Notes to the Financial Statements

11 Property and equipment

(a) Reconciliation of carrying amount

	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 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	4,781,780	(270,380)	1,812	9,883	1,481	–	4,524,576
Termination of the favourable term lease agreements	–	(2,335,708)	–	–	–	–	(2,335,708)
Additions	1,983	237,788	424	9,346	3,026	313,486	566,053
Disposals	(3,657)	(13,320)	(6,290)	(6,507)	(239)	–	(30,013)
Transfer in/(out)	–	–	3,853	2,370	–	(6,223)	–
At 31 December 2020 and 1 January 2021	**6,359,150**	**725,702**	**74,774**	**86,269**	**35,927**	**581,643**	**7,863,465**
Exchange reserve	**–**	**(1,307)**	**–**	**(482)**	**(432)**	**–**	**(2,221)**
Additions	**6,983**	**11,671**	**3,236**	**10,134**	**2,922**	**61,489**	**96,435**
Disposals	**(13,228)**	**(25,443)**	**(93)**	**(882)**	**(1,967)**	**(1,212)**	**(42,825)**
Transfer in/(out)	**7,177**	**6,891**	**4,564**	**3,557**	**291**	**(22,480)**	**–**
At 31 December 2021	**6,360,082**	**717,514**	**82,481**	**98,596**	**36,741**	**619,440**	**7,914,854**
Accumulated depreciation							
At 1 January 2020	75,890	219,042	20,343	33,153	14,179	–	362,607
Exchange reserve	–	(547)	–	(284)	(793)	–	(1,624)
Charge for the year	115,793	161,157	10,443	10,538	3,785	–	301,716
Reclassification	28,411	(28,411)	–	–	–	–	–
Written back on disposals	(222)	(10,737)	(2,589)	(5,093)	(219)	–	(18,860)
Termination of the favourable term lease agreements	–	(228,991)	–	–	–	–	(228,991)
At 31 December 2020 and 1 January 2021	**219,872**	**111,513**	**28,197**	**38,314**	**16,952**	**–**	**414,848**
Exchange reserve	**–**	**(224)**	**–**	**(336)**	**(337)**	**–**	**(897)**
Charge for the year	**171,948**	**77,787**	**8,739**	**12,649**	**4,169**	**–**	**275,292**
Written back on disposals	**(12,195)**	**(24,603)**	**(50)**	**(208)**	**(1,556)**	**–**	**(38,612)**
At 31 December 2021	**379,625**	**164,473**	**36,886**	**50,419**	**19,228**	**–**	**650,631**
Net book value							
At 31 December 2020	6,139,278	614,189	46,577	47,955	18,975	581,643	7,448,617
At 31 December 2021	**5,980,457**	**553,041**	**45,595**	**48,177**	**17,513**	**619,440**	**7,264,223**

Notes to the Financial Statements

11 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	**2021 RMB'000**	2020 RMB'000
Other properties leased for own use, carried at depreciated cost	*(i)*	**435,135**	495,262

(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	**2021 RMB'000**	2020 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:			
Leased agriculture wholesale markets		**48,565**	133,936
Leased offices		**20,682**	22,248
	5(c)	**69,247**	156,184
Interest on lease liabilities	*5(b)*	**23,696**	60,989
Expenses relating to short-term leases and other leases with remaining lease term ending on or before 31 December		**15,533**	7,504

During the year, additions to right-of-use assets were RMB10,700,000 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

12 Investment properties

(a) Reconciliation of carrying amount

	Ownership interests in land and buildings RMB'000	Other properties leased RMB'000	Total RMB'000
At fair value			
At 1 January 2020	513,000	4,255,900	4,768,900
Acquisition of business	6,147,100	–	6,147,100
Termination of the favourable term lease agreements	–	(4,122,500)	(4,122,500)
Additions	8,076	1,205	9,281
Fair value adjustments	61,124	(134,605)	(73,481)
At 31 December 2020 and 1 January 2021	**6,729,300**	**–**	**6,729,300**
Additions	**56,546**	**–**	**56,546**
Fair value adjustments	**(91,146)**	**–**	**(91,146)**
At 31 December 2021	**6,694,700**	**–**	**6,694,700**

Notes:

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

At 31 December 2021, certain of investment properties were pledged as securities for bank loans of the Group amounting to RMB1,433,850,000 and bank loans of third parties amounting to RMB1,155,200,000.

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:

	2021 RMB'000	2020 RMB'000
Less than one year	**99,689**	97,745
Between one and five years	**29,910**	48,363
More than five years	**11,699**	16,238
	141,298	162,346

Notes to the Financial Statements

12 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	
	2021	2020
	RMB'000	RMB'000
Recurring fair value measurement		
Investment properties:		
– PRC	**6,694,700**	6,729,300

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 2021. The valuations were carried out by an independent firm of surveyors, Norton Appraisals Limited, who has among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The management of the Group have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting period.

Notes to the Financial Statements

12 Investment properties *(Continued)*

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

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Weighted average
Ownership interests in land and buildings – PRC	Discounted cash flow	Risk-adjusted discount rate	11.6%
		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.

Notes to the Financial Statements

13 Intangible assets

	Golf membership RMB'000	Trademarks RMB'000	Total RMB'000
Cost			
At 1 January 2020	12,630	–	12,630
Exchange reserve	(763)	–	(763)
At 31 December 2020 and 1 January 2021	**11,867**	**–**	**11,867**
Addition through purchase	**2,248**	**334**	**2,582**
Exchange reserve	**(339)**	**–**	**(339)**
At 31 December 2021	**13,776**	**334**	**14,110**
Accumulated amortisation			
At 1 January 2020, 31 December 2020 and 1 January 2021	**–**	**–**	**–**
Charge for the year	**–**	**(20)**	**(20)**
At 31 December 2021	**–**	**(20)**	**(20)**
Net book value			
At 31 December 2020	11,867	–	11,867
At 31 December 2021	**13,776**	**314**	**14,090**

Notes to the Financial Statements

14 Goodwill

	Dili and Hada Business RMB'000	Hangzhou Business RMB'000	Total RMB'000
Cost			
At 1 January 2020	1,519,330	708,146	2,227,476
Acquisition of business	649,175	–	649,175
At 31 December 2020, 1 January 2021 and 31 December 2021	**2,168,505**	**708,146**	**2,876,651**
Accumulated impairment losses			
At 1 January 2020, 31 December 2020 and 31 December 2021	(1,132,950)	–	(1,132,950)
Carrying amount			
At 31 December 2020	1,035,555	708,146	1,743,701
At 31 December 2021	**1,035,555**	**708,146**	**1,743,701**

At 31 December 2021, 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.

Notes to the Financial Statements

14 Goodwill *(Continued)*

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

	Dili and Hada Business		Hangzhou Business	
	2021	2020	**2021**	2020
Annual revenue growth rate forecast	**3% –20%**	3% – 30%	**2% – 5%**	3% – 7%
Perpetual growth rate	**3.00%**	3.00%	**3.00%**	2.50%
Pre-tax discount rate	**15.72%**	18.20%	**15.91%**	17.79%

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 2020 and 2021.

Based on the cash flow forecast prepared by the Group as at 31 December 2021, the recoverable amount of all the CGUs exceeds their carrying amount as at 31 December 2021. 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 RMB496 million and RMB228 million respectively, any further reduction would result in an impairment loss to the respective CGUs.

Notes to the Financial Statements

15 Interests in subsidiaries

At 31 December 2021, 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	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiary(ies)	
Yield Smart Limited	British Virgin Islands 30 March 2015	USD2	100%	100%	–	Investment holding
China Dili Group Management Limited	Hong Kong 18 December 2007	HKD1	100%	–	100%	Investment holding
Shouguang Dili Agricultural Produce Logistic Park Co., Ltd. (ii)	Shouguang, the PRC 18 December 2014	RMB34,438,934	100%	–	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%	–	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%	–	100%	Lease and management of agriculture wholesale market
Harbin Dili Agricultural Produce and Side Products Co., Ltd. (i)	Harbin, the PRC 24 October 2014	Registered capital of RMB20,000,000 and paid-in capital of RMB200,000	100%	–	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%	–	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%	–	100%	Lease and management of agriculture wholesale market

Notes to the Financial Statements

15 Interests in subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiary(ies)	
Mudanjiang Dili Agricultural Produce and Side Products Co., Ltd. (i)	Mudanjiang, the PRC 18 November 2014	Registered capital of RMB10,000,000 and paid-in capital of RMB100,000	100%	–	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%	–	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%	–	100%	Lease and management of agriculture wholesale market
Hangzhou Vegetable Co., Ltd. (ii)	Hangzhou, the PRC 8 June 2001	RMB72,600,000	100%	–	100%	Lease and management of agriculture wholesale market
Hangzhou Vegetable Logistics Co., Ltd. (ii)	Hangzhou, the PRC 4 December 2006	RMB20,000,000	100%	–	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%	–	100%	Lease and management of agriculture wholesale market
Kunming Dili Agricultural Produce Co., Ltd. (iii)	Kunming, the PRC 22 October 2018	RMB500,000,000	65%	–	65%	Lease and management of agriculture wholesale market
Shenzhen City Jiali Supply Chain Co., Ltd. (ii)	Shenzhen, the PRC 20 April 2020	RMB100,000,000	100%	–	100%	Supply chain management service and distribution service
Harbin Hada Agricultural Produce and Side Products Joint Stock Co., Ltd. (iii)	Harbin, the PRC 29 March 2002	RMB154,000,000	100%	–	100%	Agricultural produce market
Qiqihar Hada Agricultural Produce and Side Products Co., Ltd. (ii)	Qiqihar, the PRC 14 August 2008	RMB50,000,000	100%	–	100%	Agricultural produce market
Harbin Youyi Warehouse Co., Ltd. (ii)	Harbin, the PRC 25 April 2005	RMB45,000,000	100%	–	100%	Agricultural produce market

Notes to the Financial Statements

15 Interests in subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiary(ies)	
Shenyang Dili Agricultural Produce and Side Products Co., Ltd. (iii)	Shenyang, the PRC 21 December 2010	Registered capital of RMB800,000,000 and paid-in capital of RMB720,000,000	100%	–	100%	Agricultural produce market
Shenyang Jindongmao Property Co., Ltd. (ii)	Shenyang, the PRC 26 December 2006	RMB198,728,433	100%	–	100%	Agricultural produce market
Liaoning Yindali Property Investment Co., Ltd. (ii)	Liaoning, the PRC 25 January 2007	RMB20,000,000	100%	–	100%	Agricultural produce market
Guiyang Dili Agricultural Produce Logistic Park Co., Ltd. (ii)	Guiyang, the PRC 15 November 2010	RMB199,767,000	100%	–	100%	Agricultural produce market
Mudanjiang Muda Agricultural Produce and Side Products Co., Ltd. (ii)	Mudanjiang, the PRC 28 December 2009	RMB201,435,000	100%	–	100%	Agricultural produce market
Shenzhen Guibaodi Agricultural Technology Co., Ltd. (ii)	Shenzhen, the PRC 10 March 2021	RMB200,000	100%	–	100%	Lease and management of agricultural produce market
Gansu Dili Zhenxuan Supply Chain Co., Ltd. (ii)	Gansu, the PRC 24 February 2021	RMB10,000,000	100%	–	100%	Supply chain management service and distribution service
Shouguang Jiayuan Supply Chain Co., Ltd. (ii)	Shouguang, the PRC 6 January 2021	RMB50,000,000	100%	–	100%	Supply chain management service and distribution service
Baotou Dili Intelligent Agricultural Development Co., Ltd. (ii)	Baotou, the PRC 7 June 2021	Registered capital of RMB2,000,000 and paid-in capital of RMB1,000,000	51%	–	51%	Lease and management of agricultural produce market
Yunnan Dili Supply Chain Management Co., Ltd. (ii)	Yunnan, the PRC 10 August 2021	Registered capital of RMB4,000,000 and paid-in capital of nil	70%	–	70%	Supply chain management service and distribution service
Guangxi Dili Supply Chain Management Co., Ltd. (ii)	Guangxi, the PRC 7 July 2021	Registered capital of RMB4,000,000 and paid-in capital of RMB700,000	70%	–	70%	Supply chain management service and distribution service

Notes to the Financial Statements

15 Interests in subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued/ paid-in capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by subsidiary(ies)	
Beijing Xinfenghui Agricultural Technology Co., Ltd. (ii)	Beijing, the PRC 17 September 2019	Registered capital of RMB20,000,000 and paid-in capital of RMB7,043,247	51%	–	51%	Supply chain management service and distribution service
Shenzhen City Jiawutong Supply Chain Co., Ltd. (ii)	Shenzhen, the PRC 1 February 2021	Registered capital of RMB10,000,000 and paid-in capital of nil	100%	–	100%	Supply chain management service and distribution service
Jingyuan Dili Zhenxuan Supply Chain Co., Ltd. (ii)	Jingyuan, the PRC 31 August 2021	Registered capital of RMB5,000,000 and paid-in capital of nil	100%	–	100%	Supply chain management service and distribution service
Shenzhen City Lidongda Agricultural Technology Co.,Ltd. (ii)	Shenzhen, the PRC 28 January2021	RMB10,000,000	51%	–	51%	Lease and management of agricultural produce market
Dili Agricultural Produce Group Co., Ltd. (ii)	Shenzhen, the PRC 3 September 2021	Registered capital of RMB2,127,020,791 and paid-in capital of RMB1,436,703,104	100%	–	100%	Lease and management of agricultural produce market
Guizhou Dili Supply Chain Development Co., Ltd (ii)	Guizhou, the PRC 17 May 2021	RMB4,000,000	70%	–	70%	Supply chain management service and distribution service

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.

Notes to the Financial Statements

16 Interest in an associate

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

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
Shenzhen City Jingdida Supply Chain Management Co., Ltd.	Incorporated	People's Republic of China	Registered capital of RMB200,000,000 and paid-in capital of RMB100,000,000	49%	–	49%	Supply chain management services (i)

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

17 Other assets

	Note	2021 RMB'000	2020 RMB'000
Financial assets measured at FVPL			
– Investment in Dili Fresh	*(i)*	**252,738**	314,397
– Derivative financial instruments embedded in investment in Dili Fresh	*(i)*	**815,651**	665,052
Sub-total		**1,068,389**	979,449
Lease incentive	*(ii)*	**2,560**	16,501
Others		**9,629**	–
		1,080,578	995,950
Representing:			
– Non-current		**1,074,692**	981,152
– Current		**5,886**	14,798
		1,080,578	995,950

Notes to the Financial Statements

17 Other assets *(Continued)*

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

On 31 October 2019, Yield Smart Limited ("Yield Smart", a wholly-owned subsidiary of the Company) 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") operate through their 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.

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.

Notes to the Financial Statements

17 Other assets *(Continued)*

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

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

	Investment in Dili Fresh RMB'000	Put Option RMB'000	Call Option RMB'000	Total RMB'000
At fair value				
At 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 and 1 January 2021	**314,397**	**665,052**	**–**	**979,449**
Net unrealised (loss)/gain on financial assets measured at FVPL	**(61,659)**	**150,599**	**–**	**88,940**
At 31 December 2021	**252,738**	**815,651**	**–**	**1,068,389**

(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

	2021 RMB'000	2020 RMB'000
Trading goods	**170,085**	52,532

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

	2021 RMB'000	2020 RMB'000
Carrying amount of inventories sold	**311,422**	74,381
Write down of inventories	**14,354**	–
	325,776	74,381

Notes to the Financial Statements

19 Trade and other receivables

	Note	2021 RMB'000	2020 RMB'000
Trade receivables	*(i)*	**63,524**	–
Amounts due from related parties	*29(c)*	**1,044,813**	700,937
Receivable for disposal of property and equipment	*(ii)*	**43,728**	52,764
Amounts due from a third party	*(iii)*	**22,801**	23,681
Deposits	*(iv)*	**200,000**	200,000
Other debtors	*(v)*	**245,066**	70,600
Financial assets measured at amortised cost		**1,619,932**	1,047,982
Less: impairment losses on trade and other receivables	*28(a)*	**61,666**	15,830
		1,558,266	1,032,152
Prepayments		**215,526**	177,403
Total		**1,773,792**	1,209,555
Representing:			
– Non-current		**72,567**	509,158
– Current		**1,701,225**	700,397
		1,773,792	1,209,555

Notes:

(i) Aging analysis

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

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

Notes to the Financial Statements

19 Trade and other receivables *(Continued)*

Notes: (Continued)

(ii) Receivable for disposal of property and equipment

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

(iii) Amounts due from a third party

The amounts due from a third party are unsecured and non-interest-bearing loan due from a seafood product market operating company under a cooperation contract with the Group. As at 31 December 2021, RMB6,840,000 was overdue. According to the supplemental agreements, RMB2,301,000 , RMB6,800,000 and RMB13,700,000 of the receivables are repayable on demand, repayable before 31 December 2022 and repayable before 31 December 2024 respectively. As at 31 December 2021, an impairment loss of RMB7,992,000 was recognised for the amounts due from a third party.

(iv) Deposits

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

(v) Other debtors

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

Notes to the Financial Statements

20 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	2021 RMB'000	2020 RMB'000
Cash on hand	**13,065**	2,744
Cash at bank	**1,253,945**	911,909
	1,267,010	914,653
Representing:		
– Cash and cash equivalents	**1,247,010**	914,653
– Time deposits with original maturity over three months	**20,000**	–
	1,267,010	914,653

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 and cash equivalents 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 2021		**1,720,655**	**512,738**	**–**	**2,233,393**
Changes from financing cash flows					
Repayment of interest-bearing borrowings		**(1,583,805)**	**–**	**–**	**(1,583,805)**
Proceeds from interest-bearing borrowings		**1,653,304**	**–**	**–**	**1,653,304**
Capital element of lease rentals paid		**–**	**(53,583)**	**–**	**(53,583)**
Interest element of lease rentals paid		**–**	**(23,696)**	**–**	**(23,696)**
Interest paid		**–**	**–**	**(88,256)**	**(88,256)**
Total changes from financing cash flows		**69,499**	**(77,279)**	**(88,256)**	**(96,036)**
Other changes					
Increase in lease liabilities from entering into new leases during the year		**–**	**9,878**	**–**	**9,878**
Interest expenses	*5(b)*	**–**	**23,696**	**88,256**	**111,952**
Total other changes		**–**	**33,574**	**88,256**	**121,830**
At 31 December 2021		**1,790,154**	**469,033**	**–**	**2,259,187**
At 1 January 2020		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 year		–	232,815	–	232,815
Interest expenses	*5(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

Notes to the Financial Statements

20 Cash and cash equivalents and other cash flow information *(Continued)*

(c) Total cash outflow for leases

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

	2021 RMB'000	2020 RMB'000
Within operating cash flows	**15,533**	7,504
Within financing cash flows	**77,279**	122,912
	92,812	130,416

These amounts relate to the following:

	2021 RMB'000	2020 RMB'000
Lease rentals paid	**92,812**	130,416

21 Interest-bearing borrowings

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

	Note	2021 RMB'000	2020 RMB'000
Bank loans, secured by property and equipment		**100,000**	100,000
Bank loans, guaranteed by related parties		**156,304**	186,275
Other loans		**20,000**	20,000
		276,304	306,275
Add: current portion of long-term interest-bearing borrowings	*21(b)*	**82,350**	1,109,280
		358,654	1,415,555

Notes to the Financial Statements

21 Interest-bearing borrowings *(Continued)*

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

	Note	**2021 RMB'000**	2020 RMB'000
Bank loans, secured by investment properties and guaranteed by related and/or third parties		**982,750**	997,000
Bank loans, secured by investment properties		**451,100**	337,380
Other loans, unsecured		**80,000**	80,000
		1,513,850	1,414,380
Less: current portion of long-term interest-bearing borrowings	*21(a)*	**(82,350)**	(1,109,280)
		1,431,500	305,100

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

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

(c) The following assets and their respective carrying values at 31 December 2021 and 2020 are pledged to secure the Group's bank loans:

	Note	**2021 RMB'000**	2020 RMB'000
Property and equipment	*11*	**613,007**	665,426
Investment properties	*12*	**793,459**	604,646
		1,406,466	1,270,072

(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 2021, none of the covenants relating to the bank loans had been breached.

Notes to the Financial Statements

22 Trade and other payables

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

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

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

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

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

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:

	2021 Present value of the minimum lease payments RMB'000	2020 Present value of the minimum lease payments RMB'000
Within 1 year	**51,656**	52,957
After 1 year but within 2 years	**46,496**	45,897
After 2 years but within 5 years	**82,684**	98,037
After 5 years	**288,197**	315,847
	417,377	459,781
Total	**469,033**	512,738

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:

	2021 RMB'000	2020 RMB'000
Balance of income tax payable at 1 January	**134,607**	114,698
Acquisition of business	**–**	4,800
Provision for the year	**159,366**	198,455
Income tax paid	**(184,224)**	(187,896)
	109,749	130,057
Balance of profits tax provision relating to prior years	**2,961**	4,550
Balance of income tax payable at 31 December	**112,710**	134,607

(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:

	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	Accelerated depreciation allowance RMB'000	Total RMB'000
At 1 January 2020	601	(555)	(910,784)	(746,505)	–	–	(1,657,243)
Acquisition of business	8,327	–	(1,292,292)	(897,119)	–	–	(2,181,084)
Termination of the favourable term lease agreements	–	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 and 1 January 2021	**8,493**	**4,716**	**(1,373,464)**	**(1,181,996)**	**(5,561)**	**-**	**(2,547,812)**
(Charged)/credited to profit or loss	**(746)**	**3,397**	**5,389**	**27,916**	**(8,894)**	**(228)**	**26,834**
At 31 December 2021	**7,747**	**8,113**	**(1,368,075)**	**(1,154,080)**	**(14,455)**	**(228)**	**(2,520,978)**

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 amortisation of the intangible asset and the depreciation of the property and equipment identified during the acquisition.

Notes to the Financial Statements

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

(c) Deferred tax liabilities not recognised

At 31 December 2021, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB6,706,136,000 (2020: RMB6,363,148,000). Deferred tax liabilities of RMB670,614,000 (2020: RMB636,315,000) 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 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)(i)*	–	3,103,678	–	–	–	–	3,103,678
Conversion of convertible bond	*25(c)(i)*	240,985	694,748	–	–	–	–	935,733
Balance at 31 December 2020 and 1 January 2021		719,779	19,377,239	7,508	92,168	96,054	(17,104,732)	3,188,016
Change in equity for 2021								
Total comprehensive income for the year		–	–	–	–	(37,652)	(420,190)	(457,842)
Issuance of shares	*25(c)(ii)*	39,845	625,558	–	–	–	–	665,403
Balance at 31 December 2021		759,624	20,002,797	7,508	92,168	58,402	(17,524,922)	3,395,577

(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 2021 (2020: Nil).

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

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

Notes to the Financial Statements

25 Capital and reserves *(Continued)*

(c) Share capital

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

(i) Conversion of a convertible bond

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

(ii) Issuance of shares

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

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

Notes to the Financial Statements

25 Capital and reserves *(Continued)*

(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 Act of the Cayman Islands. Under the Companies Act, 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 Act 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.

(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 2021, 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 2021, no share was acquired from the market (during the year ended 31 December 2020: 5,702,000 shares).

Notes to the Financial Statements

25 Capital and reserves *(Continued)*

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

(vi) Exchange reserves

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

(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 2021, the gearing ratio of the Group was 11.26%.

The gearing ratio of the Group at 31 December 2021 and 2020 was calculated as follows:

	Note	**2021 RMB'000**	2020 RMB'000
Total non-current assets		**16,922,590**	17,437,004
Total current assets		**3,144,206**	1,682,380
Total assets		**20,066,796**	19,119,384
Interest-bearing borrowings (non-current)	*21*	**1,431,500**	305,100
Lease liabilities (non-current)	*23*	**417,377**	459,781
Interest-bearing borrowings (current)	*21*	**358,654**	1,415,555
Lease liabilities (current)	*23*	**51,656**	52,957
Total debts		**2,259,187**	2,233,393
Gearing ratio		**11.26%**	11.68%

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% (2020: 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 Commitments and contingents

Capital commitments

At 31 December 2021, the Group has the following commitments not provided for in the financial statements:

	2021 **RMB'000**	2020 RMB'000
Contracted for	**268,188**	112,061
Authorised but not contracted for	**524**	1,882
	268,712	113,943

Notes to the Financial Statements

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 trade and 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 represent low credit risk. The Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account (i) the landlords' credit rating and (ii) the remaining lease term and the period covered by the rental deposits.

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).

In respect of trade and other receivables, the Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0-90 days from the date of billing. Debtors with balances that are more than 12 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2021		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**0.56**	**53,666**	**303**
1-30 days past due	**1.4**	**7,798**	**109**
31-60 days past due	**3**	**–**	**–**
61-90 days past due	**24**	**455**	**109**
91-120 days past due	**45**	**1,605**	**722**
121-150 days past due	**50**	**–**	**–**
over 150 days past due	**100**	**–**	**–**
		63,524	**1,243**

Notes to the Financial Statements

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

(a) Credit risk *(Continued)*

Expected loss rates are based on actual loss experience over the past 12 months. 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 trade receivables during the year is as follows:

	Total RMB'000
Balance at 1 January 2021	–
Amounts written off	–
Impairment losses recognised	1,243
Impairment losses reversed	–
Balance at 31 December 2021	1,243

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.

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:

	2021 **RMB'000**	2020 RMB'000
Balance at 1 January	**15,830**	–
Impairment loss recognised during the year	**44,593**	15,830
Balance at 31 December	**60,423**	15,830

Notes to the Financial Statements

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

(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.

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:

	2021 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
Trade and other payables	834,149	–	–	–	834,149	834,149
Interest-bearing borrowings	367,745	1,134,064	178,838	304,865	1,985,512	1,790,154
Lease liabilities	71,709	69,029	130,535	344,122	615,395	469,033
	1,273,603	1,203,093	309,373	648,987	3,435,056	3,093,336

	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
Trade and 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

Notes to the Financial Statements

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 2021		At 31 December 2020	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings				
– Interest-bearing borrowings	**4.05 – 12.00**	**1,467,154**	3.95 – 12.00	1,452,975
– Lease liabilities	**4.65 – 4.90**	**469,033**	4.75 – 4.90	512,738
		1,936,187		1,965,713
Variable rate borrowings				
– Interest-bearing borrowings	**4.65**	**323,000**	5.88 – 6.84	267,680
Total borrowings		**2,259,187**		2,233,393
Fixed rate borrowings as a percentage of total borrowings		**86%**		88%

(ii) *Sensitivity analysis*

At 31 December 2021, 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 RMB2,873,000 for the year ended 31 December 2021.

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)					
	2021			2020		
	USD	**HKD**	**RMB**	USD	HKD	RMB
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	**26,064**	**164**	**351**	26,861	168	550
Net exposure arising from recognised assets and liabilities	**26,064**	**164**	**351**	26,861	168	550

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.

	2021		2020	
	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%**	**(18)**	5%	(27)
	(5%)	**18**	(5%)	27
RMB – HKD/USD	**5%**	**(977)**	5%	(1,002)
	(5%)	**977**	(5%)	1,002

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.

Notes to the Financial Statements

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 2021 RMB'000	**Fair value measurements as at 31 December 2021 categorised into level 3 RMB'000**	Fair value at 31 December 2020 RMB'000	Fair value measurements as at 31 December 2020 categorised into level 3 RMB'000
Recurring fair value measurements				
Financial assets measured at FVPL				
– Investment in Dili Fresh	**252,738**	**252,738**	314,397	314,397
– Derivative financial instruments embedded in investment in Dili Fresh	**815,651**	**815,651**	665,052	665,052

During the years ended 31 December 2020 and 2021, 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.

Notes to the Financial Statements

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			
– Investment in Dili Fresh	Market approach	Enterprise-value-to-sales multiple	0.75 (2020: 0.73)
		Discount for lack of marketability	20.6% (2020: 30%)
– Derivative financial instruments embedded in investment in Dili Fresh	Binomial options pricing model	Expected volatility	36.29% (2020: 38.07%)
		Expected probability	92.5% (2020: 85%)

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 multiplies 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 year in the balance of these Level 3 fair value measurements are as follows:

	2021 RMB'000	2020 RMB'000
Financial assets measured at FVPL:		
At 1 January	**979,449**	923,838
Net unrealised gain on financial assets measured at FVPL	**88,940**	55,611
At 31 December	**1,068,389**	979,449

(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 2020 and 2021.

Notes to the Financial Statements

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 7 and certain of the highest paid employees as disclosed in Note 8, is as follows:

	2021 **RMB'000**	2020 RMB'000
Wages, salaries and other benefits	**32,459**	53,615
Contributions to defined contribution retirement plans	**348**	260
	32,807	53,875

(b) Material related party transactions

	2021 **RMB'000**	2020 RMB'000
Payment for rental expenses to related parties	**(15,000)**	(47,005)
Loans to related parties (i)(iii)	**(645,630)**	(445,000)
Repayment of loans to related parties (i)(iii)	**305,630**	–
Interest income from loans to related parties (i)(iii)	**45,595**	31,397
Income on providing financial guarantee (ii)(iii)	**3,182**	4,100
Repayment to related parties	**–**	(12,547)
Guarantees received from related parties (iv)	**1,139,054**	1,183,275
Guarantees revoked from related parties	**(1,183,275)**	–
Guarantees provided to related parties (ii)(iii)	**(230,000)**	(165,000)
Termination of guarantee for related parties	**265,000**	–
Consideration transferred for acquisition of the Hada Business	**–**	7,764,211

(i) As at 31 December 2021, the Group provided loans to Dili Fresh of RMB1,020,000,000. The amounts are interest bearing at 6% per annum with maturity dates from February 2022 to August 2023.

(ii) As at 31 December 2021, the Group provided guarantees to certain bank loans of Dili Fresh amounting of RMB130,000,000, with financial guarantee income of RMB3,182,000 during the year.

(iii) On 9 March 2022, Mr. Dai Yongge signed a personal undertaking to maintain sufficient sources of fund to repay the Group and settle all their outstanding amount and liabilities under the loan on behalf of Dili Fresh and indemnify the Group for any damages and liabilities suffered and costs and expenses which may be incurred, including where necessary, to sell or procure the sale of shares held in the Company by Super Brilliant Investments Limited free of encumbrances.

(iv) As at 31 December 2021, 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 RMB1,139,054,000.

Notes to the Financial Statements

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

(c) Related party balances

	Note	**2021** **RMB'000**	2020 RMB'000
Amounts due from related parties			
– Dili Fresh	*29(b)(i)/19*	**1,044,813**	700,937

(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	2021 RMB'000	2020 RMB'000
Non-current asset			
Interests in subsidiaries	*15*	**3,290,921**	3,250,033
Total non-current asset		**3,290,921**	3,250,033
Current assets			
Other receivables		**1,244**	1,224
Cash at bank and on hand		**140,398**	529
Total current assets		**141,642**	1,753
Current liabilities			
Other payables		**36,986**	63,770
Total current liabilities		**36,986**	63,770
Net current assets/(liabilities)		**104,656**	(62,017)
Net assets		**3,395,577**	3,188,016
Capital and reserves			
Share capital	*25(c)*	**759,624**	719,779
Reserves	*25(d)*	**2,635,953**	2,468,237
Total equity		**3,395,577**	3,188,016

Approved and authorised for issue by the board of directors on 24 March 2022.

Wang Yan
Chairman

Dai Bin
Director

Notes to the Financial Statements

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021

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 2021 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
Amendments to IAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to IAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

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.

32 Ultimate holding company

The directors of the Company consider the ultimate holding company of the Company at 31 December 2021 to be Zedra Asia Limited, which is a company incorporated in Hong Kong with limited liability and providing professional trustee services. This entity does not produce financial statements available for public use.

Notes to the Financial Statements

33 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 trade and 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. Management measures the expected credit loss allowance required at each reporting date at an amount equal to the lifetime expected credit losses based on estimated loss rates for each category of trade receivables grouped according to the shared credit risk characteristics.

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.

(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.

Notes to the Financial Statements

33 Accounting judgement and estimates *(Continued)*

(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(m), 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.

(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.

Notes to the Financial Statements

34 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.

Details of Investment Properties

Location	Use	Lease Expiry	Attributable interest of the Group
Hangzhou Dili Logistic Park and Hangzhou Seafood Products Market Nos. 3-5 Dashiyang Road, Yuhang District, Hangzhou City, Zhejiang Province, the PRC	Agriculture wholesale market	2046	96%
Guiyang Agricultural Produce Logistic Park 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 Nos. 277-279 Xuefu Road, Nangang District, Harbin City, Heilongjiang Province, the PRC	Agriculture wholesale market	2040	100%
Qiqihar Hada Agricultural Produce Market No. 157 Minhang Road, Longsha District, Qiqihar City, Heilongjiang Province, the PRC	Agriculture wholesale market	2059	100%
Muda International Agricultural Produce Logistic Park Western side of Xinxing Road, Yangming District, Mudanjiang City, Heilongjiang Province, the PRC	Agriculture wholesale market	2050	100%
Harbin Youyi Agricultural Produce Market 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				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021 RMB'000**
RESULTS					
Revenue	988,112	1,128,654	1,421,019	1,450,148	**1,744,575**
Other income/(expenses)	93,495	(56,417)	143,785	163,733	**153,608**
Cost of goods sold	–	–	–	(74,381)	**(325,776)**
Distribution costs	–	–	–	–	**(31,868)**
Operating expenses	(604,265)	(691,339)	(314,278)	(345,306)	**(340,359)**
Administrative expenses	(536,524)	(703,134)	(622,671)	(701,321)	**(680,628)**
Impairment losses on trade and other receivables	–	–	–	(15,830)	**(45,836)**
(Loss)/profit from operations	(59,182)	(322,236)	627,855	477,043	**473,716**
Net unrealised (losses)/gains on financial assets measured at fair value through profit or loss	–	(3,018)	(21,865)	55,611	**88,940**
Net valuation gains/(losses) on investment properties	–	13,500	243,422	(73,481)	**(91,146)**
Loss on settlement of pre-existing relationship	–	–	–	(34,899)	**–**
Share of loss of an associate	–	–	–	–	**(6,243)**
Net finance costs	26,096	56,829	(43,962)	(69,753)	**(78,120)**
(Loss)/profit before taxation	(33,086)	(254,925)	805,450	354,521	**387,147**
Income tax	(93,964)	(93,676)	(234,995)	(151,201)	**(135,493)**
(Loss)/profit for the year	(127,050)	(348,601)	570,455	203,320	**251,654**

	As at 31 December				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021 RMB'000**
ASSETS AND LIABILITIES					
Total assets	8,808,396	11,589,305	13,505,339	19,119,384	**20,066,796**
Total liabilities	(1,871,518)	(3,075,758)	(4,681,061)	(6,014,634)	**(6,023,827)**
Total equity	6,936,878	8,513,547	8,824,278	13,104,750	**14,042,969**
Total equity attributable to equity shareholders of the Company	6,936,878	8,401,717	8,612,927	12,812,812	**13,740,180**
Non-controlling interests	–	111,830	211,351	291,938	**302,789**
	6,936,878	8,513,547	8,824,278	13,104,750	**14,042,969**

中国地利集团
China Dili Group