

ZALL卓尔智联

Zall Smart Commerce Group Ltd.

卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2098

WHOLESALE MARKET

LIVE STREAMING

INDUSTRIAL E-COMMERCE

SUPPLY CHAIN FINANCE

WAREHOUSING

DIGITAL CLOUD SERVICES

LOGISTICS



INTERIM REPORT 2023



About Zall Smart Commerce Group Ltd.

Zall Smart Commerce Group is committed to becoming the world's leading digital trade platform. Based on the two major trading scenarios of commodities and wholesale market, the Group constructs and operates B2B trading platforms for consumer goods, agricultural products, iron and steel, chemical plastic, cross-boarder trading, etc., providing partners with diversified and full-ranged trading services as well as supply chain services including logistics, warehousing, financial, and information services. The Group taps into the "New Mode of Trading" and leverages digital technologies such as big data, artificial intelligence and blockchain to construct the "B2B trading service + supply chain service + digital technology cloud service" system, with a view to facilitating enterprises on cost reduction, increasing efficiency, and further boosting the synergy of, among others, transaction efficiency, warehousing, logistics and capital efficiency.

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Corporate Information

DIRECTORS

Executive Directors	Mr. Yan Zhi (<i>Co-chairman and Co-chief executive officer</i>) Dr. Gang Yu (<i>Co-chairman</i>) Mr. Qi Zhiping (<i>Co-chief executive officer</i>) Mr. Yu Wei Mr. Xia Lifeng
Independent Non-Executive Directors	Mr. Cheung Ka Fai Mr. Wu Ying Mr. Zhu Zhengfu
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office in the PRC	No. 1 Enterprise Community 1 Chutian Avenue Panlongcheng Economics and Technology Development Zone Wuhan, Hubei Province China 430000
Principal Place of Business in Hong Kong	Suite 2101, 21st Floor Two Exchange Square Central Hong Kong
Audit Committee	Mr. Cheung Ka Fai (<i>Chairman</i>) Mr. Wu Ying Mr. Zhu Zhengfu
Nomination Committee	Mr. Wu Ying (<i>Chairman</i>) Mr. Yan Zhi Mr. Cheung Ka Fai
Remuneration Committee	Mr. Zhu Zhengfu (<i>Chairman</i>) Mr. Qi Zhiping Mr. Wu Ying

Corporate Information (continued)

Risk Management Committee	Mr. Zhu Zhengfu (<i>Chairman</i>) Mr. Cheung Ka Fai Mr. Qi Zhiping
Company Secretary	Ms. Tan Huali (<i>appointed on 1 May 2023</i>) Ms. Foo Man Yee, Carina (<i>resigned on 1 May 2023</i>)
Company Website	http://www.zallcn.com/
Authorised Representatives	Mr. Qi Zhiping Ms. Tan Huali (<i>appointed on 1 May 2023</i>) Ms. Foo Man Yee, Carina (<i>resigned on 1 May 2023</i>)
Hong Kong Share Registrar	Union Registrars Limited Suites 3301–04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
Principal Share Registrar and Transfer Office	Suntera (Cayman) Limited Suite 3204, Unit 2A, Block 3 Building D, P.O. Box 1586 Gardenia Court, Camana Bay Grand Cayman, KY1-1100 Cayman Islands
Legal Advisors	P. C. Woo & Co. Sidley Austin
Principal Bankers	China Construction Bank China Mingsheng Bank China Resources Bank of Zhuhai China Everbright Bank

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Zall Smart Commerce Group Ltd. (the "Company" or "Zall Smart Commerce"), I hereby present the interim report of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2023.

In the first half of 2023, despite the increasingly complicated domestic and international environment and the economic development pressure, the Chinese economy gradually overcame the impact of the epidemic in general and was moving back to its normal course of operation, showing a positive momentum of recovery. In this context, the recovery of demand in the commodity market and the active procurement and production activities created favorable conditions for the growth of the main business of Zall Smart Commerce.

Meanwhile, Zall Smart Commerce also embraced numerous new development opportunities in the first half of the year. The support for the construction of North Hankou and the organizing of the Wuhan Commodities Fair were included in the 2023 Hubei Provincial Government Work Report and the 2023 Wuhan Municipal Government Work Report. Huafanglian, a digital service platform for apparel and textile jointly established by Zall Smart Commerce, the state-owned conglomerates at the provincial, municipal and district levels and social capital in Hubei, was launched in North Hankou. Zall Smart Commerce was selected as a national e-commerce demonstration enterprise. North Hankou Live Broadcast Base was selected as the Wuhan Live E-commerce Cluster. The platforms were once again selected as one of the Top 100 Enterprises of the Industrial Internet. Our path towards high-quality development has been steady and far-reaching and has been widely recognized by all walks of life in society.

Building featured towns and modernized supply chains to optimize and upgrade the North Hankou market

As a modern commerce, trading and logistics platform with the largest gross floor area and the second largest transaction amount nationwide, North Hankou, based on the transformation and development philosophy of four integration, namely the integration of online and offline trading, the integration of domestic and foreign trade, the integration of wholesale and experiential consumption, and the integration of large-scale trade fairs and physical markets, strives to build North Hankou International Trade Centre as an important hub market, innovation pilot area, and industrial carrier for the construction of a national trade, commerce, and logistics hub in Hubei.

By promoting the integration of culture, commerce and tourism through the "small-town model", North Hankou aims to build a new consumption hub integrating "tourism, shopping, entertainment and procurement". With the featured commercial towns including Hankou Town, Universal Town, Flower Town, Flavour Town, Automobile Town and Live Broadcast Town being built successively, North Hankou has become a new popular commercial and cultural tourism attraction in Wuhan, drawing an average of more than 30,000 visitors a day. Not only has it brought a stable incremental customer flow for its tenants, but also served as a new impetus for stimulating regional consumption and contributing to the construction of Wuhan as a national consumption hub city.

North Hankou has built a modernized supply chain system by matching high-quality industrial sources, thus promoting the synergy between the supply side and the transaction side. With modern logistics, digital technology and other means, North Hankou focuses on building five digitalized supply chains, including the flower chain, seafood chain, automobile chain, condiment chain, as well as textile and apparel chain, to gather high-quality agricultural and industrial consumables from all over the world to Wuhan, and to build up a mega trade hub serving the whole country. It can serve upstream as a link to major manufacturers across the country and downstream as a link to consumer terminals in counties, cities and prefectures in Hubei Province and neighboring provinces and cities.

Chairman's Statement (continued)

Going forward, North Hankou will also focus on launching three live shows, namely the style show, the life show and the fashion show, accelerate the launch of new projects such as Hankou Nights, Dream Home, Nichang Gallery and Seafood Town, and prepare for the 14th Wuhan Commodities Fair, the Digital Trade Conference and the China National Apparel Conference with high standards, to further promote the upgrade of the market, and to create commercial streets with the characteristics of Hubei Province and night-time consumption clusters.

Intensively tapping into the industrial internet segments and proactively exploring new modes of industry and finance

Centering on the mission of “enabling smooth and easy trading with seamless flow of elements” and intensively tapping into agriculture, steel, chemical plastics, and other industrial internet segments, with digital technology as the driver, Zall Smart Commerce has made great efforts to establish an organic connection among production, supply and marketing, as well as a modern supply chain service system that efficiently integrates domestic and foreign trade. Zall Smart Commerce serves more than 300,000 customers by providing integrated services in the supply chain, including trading, warehousing, logistics, and supply chain finance.

In the first half of the year, while consolidating and enhancing the main business segments, various platforms also actively strengthened the deployment of new products and gathered the advantages to extend the industrial service chain. For example, Shenzhen Sinoagri further expanded its market segments such as sugar for pharmaceutical purposes and sugar for baking, invested in the construction of agricultural product processing factories in Lanzhou and Beihai, etc., to develop the deep processing of agricultural products, and set up reel silk cloud factories in Qiannan and Liuzhou, etc., to realize the capacity inspection of four reel silk factories. Zall Steel intensively tapped into customized vertical segments for both “infrastructure and manufacturing”, and actively provided one-stop supply chain integration service solutions for large steel enterprises as end users in infrastructure, equipment manufacturing, new energy vehicles and other high-end manufacturing sectors. HSH continued to expand its chemical product portfolio by introducing PET and polyester staple fiber businesses, steadily promoting the PCR recycled plastics cloud factory project, and establishing an ecological business system for recycled plastics.

Based on the obstacles and pain points in the development of enterprises along the industry chain, and capitalizing on advanced technologies including big data and blockchain, various platforms have been actively exploring new modes of industry and finance, and rolling out more high-quality industry and finance services to customers. To facilitate rural revitalization, Mutian Technology, a subsidiary of Shenzhen Sinoagri, together with Liuzhou Branch of China Construction Bank and sugar enterprises in Lincang, Yunnan Province, launched “Minong Loan” and “Qingmiao Fund for Supporting Sugar Cane Cultivation Project”, which not only solved the financing problems of sugar cane farmers but also ensured a stable supply of raw materials to the sugar enterprises, and effectively initiated the front-end of the white sugar supply chain. To establish a financing bridge for the steel industry chain, Zall Steel co-operated with 12 financial institutions, including Z-Bank and Shanghai Huarui Bank, to innovatively establish a “Multi-Bank, Multi-Product” supply chain service supermarket, which satisfies the demand for financing of various segments of the steel industry chain in various scenarios. HSH has launched customized supply chain financial products for chemical plastics enterprises, including “Cai E Rong” (採E融), “Ku E Rong” (酷E融) and “Cang E Rong” (倉E融) in light of the business scenarios of credit, procurement, receivables, security of supply and other business scenarios to address the financing difficulties of small and medium-sized enterprises.

Chairman's Statement (continued)

Advancing industrial development through digitalization strategies and accelerating the pace of foreign operation expansion

Since the Group embraced the internet in 2015, it has resolutely pursued its digitalization strategy by establishing the Zall Smart Commerce Research Institute, proactively developing industry-academia-research cooperation with Wuhan University and other universities and colleges, and strengthening the research, development and application of big data, artificial intelligence, blockchain and other technologies to constantly enhance the core competitiveness of the Company. As of 30 June 2023, the Group obtained 140 licensed patents and 199 software copyrights, with a total of 489 intellectual property rights.

While innovatively applying digital technologies to build a moat for corporate development, the Group made vigorous efforts to promote the in-depth integration of the digital economy with the real economy, and to facilitate the digitalization and upgrading of the industry. By optimizing the allocation of resources across the upstream, midstream, and downstream sectors of the industry chain, "Mutian Mall", "Mutian Technology" and other platforms of Shenzhen Sinoagri provided customers with trading services such as "fixed-price products" and "spread betting", as well as comprehensive supply chain services such as sugar quality inspection, warehousing and logistics, settlement tax invoices, and supply chain finance, thereby innovating the business model of the white sugar industry. The lightweight customized SaaS service system developed by Zall Steel covered all business scenarios across the steel industry chain market and achieved seamless management of the entire process of sales, customers, projects, production, inventory, procurement, human resources, finance, and office work, successfully serving nearly 500 large enterprises, including central state-owned enterprises, state-owned enterprises and private enterprises, such as ShaanGu Group and Yuma International. The digital intelligent supply chain system for the chemical and plastics industry developed by HSH based on industry business scenarios provided customers with services such as high-frequency trading, supply chain finance, smart logistics, digital warehousing, and information technology, assisting over 4,000 enterprises on a cumulative basis in establishing connections with banks.

Uncovering more market growth opportunities with data and technological products, the overseas platform CIC is accelerating its business expansion. In addition to focusing on platform trade and supply chain financial services, CIC upgraded the trading big data platform DataPro to TradeData.pro in the first half of the year, extending its services to over 30 countries worldwide, including Singapore, Malaysia, Indonesia, Japan, Vietnam, South Korea, the United States and Turkey, as well as over hundreds of Fortune 500 companies. At present, the CIC platform has accumulated 15,724 registered users, with a cumulative transaction amount of nearly US\$19.6 billion, showing a steady growth momentum.

In 2023, a year full of changes, many industries and sectors are undergoing a period of reshuffling. I firmly believe that the strong long-term fundamentals of China's economy will remain unchanged. Zall Smart Commerce will continue to fortify confidence, develop steadily, consistently create value for customers, and contribute to the development of the country and society, achieving greater success in areas such as boosting domestic demand growth, enhancing the resilience of industry and supply chains, and promoting the integrated development of domestic and foreign trades.

Yan Zhi
Co-Chairman

Hong Kong, 31 August 2023

Management Discussion and Analysis

BUSINESS REVIEW

Consumer product-focused wholesale trading

With 32,000 merchants operating stably, the Group's core project, North Hankou International Trade Centre ("North Hankou"), has now formed 30 large comprehensive clusters of specialized markets covering hotel supplies, branded clothing, second-hand vehicles, small merchandise, bedding, footwear and leatherware, hardware and electrical products, fresh food, non-staple food, etc., as well as featured commercial towns including Hankou Town, Universal Town, Flower Town, Flavour Town, Automobile Town and Live Broadcast Town.

The Group has adopted strategies including the integration of online and offline operations, integration of domestic and foreign trade, integration of wholesale and experiential consumption, and integration of commodity markets and large-scale trade fairs, etc., to promote the transformation and development of North Hankou, with specific measures and achievements including establishing a large-scale live broadcasting base in North Hankou and creating a live broadcasting economic ecosystem with the highest degree of concentration in Wuhan, implementing a pilot project for National Market Procurement and Trading to achieve a total export amount of North Hankou of approximately US\$15 billion, making it an important "outlet" serving the Central China region, introducing new consumption scenarios to develop new experiences and new business forms with the integration of commerce and tourism, and holding 13 consecutive sessions of Wuhan Commodities Fair and persistently making efforts in realizing and improving the opening up of the platform.

In the first half of 2023, the policy environment of North Hankou has been further optimised. In the government working report of Hubei Province 2023, "organize 14 successful international and national events including Wuhan Commodities Fair in North Hankou" and "facilitate the construction of 10-billion-yuan level trading markets including North Hankou International Trade Centre" were mentioned twice respectively. In the government working report of Wuhan 2023, North Hankou was mentioned four times, including "promote the development of North Hankou and other e-commerce live streaming clusters", "focus on building 10 e-commerce live streaming clusters including North Hankou", "promote the optimization and upgrading of North Hankou International Trade Centre" and "organize Global Digital Trade Conference and Wuhan (Hankoubei) Commodities Fair". North Hankou was awarded the 2022 National Commodity Exchange Market Optimization and Upgrading Demonstration Market at the 23rd Session of the China Commodity Exchange Market Conference, while the North Hankou E-commerce Live Streaming Base was awarded the Wuhan E-commerce Live Streaming Cluster.



Management Discussion and Analysis (continued)

In the first half of 2023, North Hankou further increased the size of business solicitation. The headquarters of Hubei Huafang Supply Chain Group Co., Ltd., China National Textile and Apparel Council Testing Center (Wuhan) and the Wuhan Branch of China Fabric Sample Warehouse were settled in North Hankou. During the reporting period, the Group carried out revamping and upgrading of North Hankou Light Textile Accessories City, Haining Leather City and Fresh Produce Market under the themes of "Fashion Pavilion", "Dream Home" and "Seafood Place" respectively and built up a night-time economy cluster with North Hankou as the main axle and Hankou Town, Universal Town and Flower Town as the core. Among them, the investment results of "Dream Home" City were remarkable. A number of prominent home furnishing brands formally contracted to settle in, which will build the first intelligent home furnishing trading centre in China with a total area of more than 7,000 square meters and a flagship showroom of more than 2,000 square meters. Qiuxiang Branded Furniture Outlet of more than 10,000 square meters was officially launched during the period. Ganzhou City Nankang Furniture Association entered into a strategic cooperation agreement with the North Hankou Group to build a supply chain base for solid wood furniture in a collaborative manner. Meanwhile, transactions in the Hankou North are robust, with vibrant consumer spending. The 2022 Wuhan (Hankoubei) Commodities Fair and Global Digital Trade Conference were held concurrently from 28 December 2022 to 7 January 2023, which brought together diplomatic envoys and leaders of business associations from more than 30 countries, hundreds of well-known entrepreneurs and business owners from industrial internet, foreign trade and supply chain enterprises, and more than 30,000 buyers and exhibitors to Wuhan for information exchange and trade collaboration. In addition, nearly hundreds of exhibitions and events were held in North Hankou, including the North Hankou New Year Shopping Festival 2023, the 10th North Hankou Spring Curtain Order Fair, Spring Shopping Festival for Ladies, the North Hankou Used Car Bazaar, May-1st North Hankou Splendid Lifestyle Festival and the Cultural and Sports Toys Fair for Spring/Summer 2023.

Supply chain management and trading

The Group has established and operated a B2B trading platform matrix for agricultural products, chemical plastics, steel and energy.

Shenzhen Sinoagri E-commerce Co., Ltd.* (深圳市中農網有限公司) ("Shenzhen Sinoagri"), a large-scale B2B platform for agricultural products of the Group, adhered to its customer-centric approach, continued to improve the efficiency of the digital services of its industry chain, extended the application of Corporate WeChat and CRM, and iterated and upgraded Zhongnonghui Mall. It recorded operating revenue of approximately RMB19.2 billion during the reporting period, mainly driven by the upsurge in sugar price as well as steady growth in the feed and pepper business segments. During the reporting period, the sugar output cut and sugar export restriction in India and the domestic sugar output cut resulted in a phased supply-demand conflict of sugar, which led to a surge in sugar price. Shenzhen Sinoagri continued to consolidate and enhance its sugar segment, with white sugar as its core advantageous category, and by building its core competitiveness through innovation, its sugar segment recorded an operating revenue of approximately RMB15.7 billion. Mutian Mall had 497 new registered users in the first half of the year, 372 of which were converted into paying customers, representing a conversion rate of 75%. The merchants recorded a 4% year-on-year increase in total sales and purchases through the purchasing and sales service platform of Mutian Mall. Meanwhile, Shenzhen Sinoagri penetrated the downstream market business through Mutian Mall and proactively diversified its deployment of sugar categories, including sugar for pharmaceutical, baking and other special uses, and provided differentiated services so as to satisfy the needs of different customer groups. To thoroughly carry out the key initiatives of the Central Government to comprehensively promote rural revitalization, Shenzhen Sinoagri set up Yinongtong during the reporting period, and cooperated with banks and other financial institutions to launch services to satisfy the needs of sugarcane farmers in the procurement of fertilizers, agricultural materials, agricultural tools and

Management Discussion and Analysis (continued)

other agricultural supplies, as well as the payment of ground rent. It also cooperated with sugar factories to launch the Yunnan Sugarcane Farmers Support Project, which served more than 1,300 sugarcane farmers in the first half of the year. For the feed segment, Shenzhen Sinoagri has further deepened its business layout by focusing on the development of national food safety and the Belt and Road Initiative. The major products of the feed raw material trading business include soybean meal, corn and sunflower seed meal. For the first half of the year, there were 132 new customers, bringing the total number of customers to 429, of which 51% were customers of the feed group, with service scope covering Guangdong, Hunan, Jiangsu, Guangxi and other major farming provinces. For hog feed business, through the dedicated marketing of “Huizhubao” products serving moderately-sized farms, Shenzhen Sinoagri acquired 71 new customers spanning over 20 provinces, and actively transformed and upgraded its business in the direction of “self-breeding and self-raising sow farms + fattening factories”.

In addition, the pepper, silk spinning and coffee businesses of Shenzhen Sinoagri also grew at a faster pace. During the reporting period, its pepper business focused on Indian and domestic dried pepper and accelerated the construction of downstream sales channels by integrating import, production, processing and sales. Eight regional marketing sub-centres were set up across the country. In the first half of the year, there were 401 new customers. The development of its export business focused on countries under the Belt and Road Initiative, such as Indonesia and South Africa. Currently, it has become one of the mainstream suppliers of dried pepper in the industry. Its silk spinning business completed two cloud factory scenarios to achieve the examination of silk reeling factory production capacity. Its coffee business grew by the launch of l'MMerse, a brand of its own. It actively participated in 3 professional coffee competitions and 2 themed exhibitions and hosted the Futian District Coffee Culture Festival in Shenzhen, with an audience of over 10 million across various media communication platforms.

As a chemical e-commerce operator that leads the future, HSH International Inc. (“HSH”), a subsidiary of the Group, integrates information, commodities, logistics, finance and other resources under the “platform-based supply chain service” model to form a supply chain service system for upstream and downstream enterprises and service providers in the chemical and plastic industries. In the first half of 2023, HSH continued to enrich the variety of its chemical product portfolio by introducing businesses such as PET and polyester staple fibre, in a bid to strengthen its market position. It implemented its preposition warehouse business by utilising warehouse and delivery resources to quickly establish consignment services and promote end-user logistics, and continued to promote its PCR recycled plastics cloud factory plan in order to build an ecological business system for recycled plastics. In addition, committed to building an integrated high-tech supply chain service platform, HSH adhered to its data-driven strategy and provided customers with one-stop data marketing, infrastructure, information technology and in-depth customer services. As of 30 June 2023, the HSH platform had a total of 50,541 customers, and it recorded an operating revenue of approximately RMB11.4 billion.

Management Discussion and Analysis (continued)

In the ferrous commodities sector, Shanghai Zall Steel E-commerce Co., Ltd.* (上海卓鋼鏈電子商務有限公司) ("Zall Steel"), a subsidiary of the Group, continued to build a digital and smart steel service platform with smart trading as its mainstay and supply chain services and technology services as its two arms, and used technologies such as blockchain and big data to build six service platforms comprising smart trading, supply chain service, SaaS cloud service, warehousing and Internet of Things, smart logistics and data information, to achieve the intelligent upgrade of the steel industry chain. Zall Steel cooperated with financial institutions to build the innovative "multi-bank, multi-product" supply chain service supermarket, which practically solved the financing problems of the steel industry chain to enable customers to enjoy direct, safe, convenient and efficient online supply chain service. The lightweight customised SaaS system of Zall Steel covers all business scenarios in the steel trade market, and realises seamless management of all procedures including sales, customers, projects, production, inventory, procurement, human resources, finance, office, etc. It boosted human resources efficiency by 12% and reduced energy consumption of enterprises by 30%, and the service system has passed the Kunpeng Technology Certification of Huawei. In the meantime, Zall Steel further enhanced its multi-dimensional and integrated smart warehousing and logistics system to provide various parties along the supply chain of ferrous commodities with safe, efficient, intelligent and convenient warehousing supervision and processing services. The self-developed electronic warehouse receipt information alliance chain system obtained the national intellectual property invention patent. Zall Steel continued to develop the two tailored vertical market segments of infrastructure and manufacturing, and actively provided large-scale, end-user enterprises of steel including high-end manufacturing industries such as infrastructure, equipment manufacturing, construction machinery, automobiles, photovoltaics and new energy vehicles with one-stop integrated supply chain service solutions, serving many large central state-owned enterprises, state-owned enterprises and leading enterprises in the industry. As of the first half of 2023, Zall Steel had established 28 trading service centres across China, reaching more than 300 cities in 32 provinces and serving more than 60,000 members, and established 32 ZCH (卓倉匯) standard warehouses, providing end-user services for 158 large-scale livelihood engineering and manufacturing projects. During the reporting period, Zall Steel achieved operating revenue of approximately RMB12.7 billion and received a number of accolades such as Top 100 Industrial Internet Enterprises of China. Its subsidiary Shanghai Zall Steel Technology Co. Ltd.* (上海卓鋼鏈科技有限公司) was selected on the list of technology-based SMEs in Shanghai for four consecutive years and received national high-tech enterprise certification.

Management Discussion and Analysis (continued)

In respect of the global commodities online trading sector, the Group's Commodities Intelligence Centre Pte. Ltd. ("CIC") has vigorously developed online trading of commodities since its launch in October 2018, providing a blockchain technology-based one-stop solution to reduce international trade risks and improve distribution efficiency. During the reporting period, CIC recorded an operating revenue of approximately RMB1.5 billion. As of June 2023, the CIC platform had 15,724 registered users, with a total GMV of nearly US\$19.6 billion. The main product categories traded include coal, nickel ore, copper ore, iron ore and electrolytic copper. To ensure the successful delivery of supply chain financial services, CIC continued to deepen its cooperation with ZMA Smart Capital Pte. Ltd., and at the same time strived to diversify financing channels. Relying on its blockchain technology, CIC continuously enhanced e-finance services, provided effective risk management, and offered new solutions for international e-finance services to reduce costs, broaden channels, improve transaction efficiency and assist in promoting the development of international trade. Meanwhile, CIC also continued to develop its digital platform products. With the development from DataPro to TradeData.pro, as well as the diversified network marketing strategies, the big data platform for trade further expanded to the global markets.

The Group has achieved a significant growth in supply chain management and trading businesses through online and offline integrated development in recent years. Given appropriate opportunities, the Group will continue to expand to other sectors through organic growth or merger and acquisitions, thereby constantly enriching and improving the intelligent ecosystem of Zall Smart and further enhancing operational efficiency.

FUTURE PROSPECTS

The digital economy, as a new form of economy, has become a new driving force for high-quality economic development. Since the start of its comprehensive internet-based transformation in 2015, Zall Smart has been vigorously building a smart trading platform to provide digital services such as trading, logistics, warehousing, finance, and supply chain management for agricultural products, chemical plastics, steel, energies, wholesale markets, cross-border trading and other industries, thus driving the transformation and upgrade of traditional trade to digital trade.

Going forward, Zall Smart will continue to strengthen the research and development of digital technologies, and apply big data, artificial intelligence, blockchain and other digital technologies to build a service system integrating "B2B trading services, supply chain services, and IT cloud services", so as to help enterprises reduce costs and increase efficiency and further improve the synergies of trading efficiency, warehousing and logistics efficiency and capital efficiency.

Management Discussion and Analysis (continued)

INVESTMENT PORTFOLIO

The portfolio of listed equity investments of the Group as at 30 June 2023 and 31 December 2022 were as follows:

As at 30 June 2023

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost RMB'000	Carrying amount as at 30 June 2023 RMB'000	Unrealised holding loss arising on revaluation for the six months ended 30 June 2023 RMB'000	Realised holding loss arising on disposal for the six months ended 30 June 2023 RMB'000	Dividend received for the six months ended 30 June 2023 RMB'000
00607.HKEX	Fullshare Holdings Limited ("Fullshare")	590,962,500	2.23%	620,157	27,788	30,427	–	–

As at 31 December 2022

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost RMB'000	Carrying amount as at 31 December 2022 RMB'000	Unrealised holding loss arising on revaluation for the year ended 31 December 2022 RMB'000	Realised holding loss arising on disposal for the year ended 31 December 2022 RMB'000	Dividend received for the year ended 31 December 2022 RMB'000
00607.HKEX	Fullshare	590,962,500	2.23%	620,157	55,958	2,687	–	–

As at 30 June 2023, the Group held approximately 590,962,500 (31 December 2022: 590,962,500) shares in Fullshare, representing approximately 2.2% of its entire issued share capital (31 December 2022: 2.2%). Fullshare is listed on the Main Board of The Stock Exchange of Hong Kong Limited. Its principal activities are property development and investment, tourism, investment and financial services, provision of healthcare and education products and services business and new energy business. The Group recognized an unrealised holding loss of approximately RMB30.4 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: an unrealised holding gain of approximately RMB5.5 million). The carrying amount of investment in Fullshare accounts for approximately 0.05% of the Group's total assets as at 30 June 2023 (31 December 2022: approximately 0.09%). The Group would like to emphasize that the unrealised holding loss is non-cash in nature and relates to the change in fair value of the Group's investment in Fullshare that is volatile in nature. The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

Management Discussion and Analysis (continued)

RESULTS OF OPERATION

Operating revenue

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
— Revenue from sales of properties and related services	64,112	36,602
— Revenue from supply chain management and trading business	54,678,564	49,716,755
— Revenue from construction contracts	—	358
— Others	13,091	4,158
	54,755,767	49,757,873
Revenue from other sources		
Gross rentals from investment properties		
— Lease payments that are fixed	115,408	129,409
Financing income	34,924	43,341
Others	25,446	13
	54,931,545	49,930,636

Revenue of the Group increased by approximately 10.0% from approximately RMB49,930.6 million for the six months ended 30 June 2022 to approximately RMB54,931.5 million for the six months ended 30 June 2023. The increase was primarily due to the increase in revenue from supply chain management and trading business.

Revenue from supply chain management and trading business

The Group's revenue from supply chain management and trading business has contributed approximately 99.5% of the Group's total revenue for the six months ended 30 June 2023, and increased by approximately 10.0% compared to that from the same period last year due to the increase in the scale of supply chain management and trading business.

Rental income from investment properties

The Group's rental income decreased from approximately RMB129.4 million for the six months ended 30 June 2022 to approximately RMB115.4 million for the six months ended 30 June 2023, primarily due to the fact that some tenants decided to rent properties of smaller sizes during the reporting period.

Management Discussion and Analysis (continued)

Revenue from financing income

The Group's financing income decreased by approximately 19.4% from approximately RMB43.3 million for the six months ended 30 June 2022 to approximately RMB34.9 million for the six months ended 30 June 2023. The decrease was mainly due to the decrease in the scale of supply chain finance business of Shenzhen Sinoagri compared with that from the same period last year.

Revenue from construction contracts

The Group's revenue from construction contract to build certain properties on behalf of a third party was recognised according to the actual cost incurred. The project has been completed and no revenue and cost was incurred for the six months ended 30 June 2023.

Revenue from sales of properties and related services

Revenue from the sale of properties and related services increased by approximately 75.2% from approximately RMB36.6 million for the six months ended 30 June 2022 to approximately RMB64.1 million for the six months ended 30 June 2023.

The Group's revenue from sales of properties was generated from the sales of retail shops and auxiliary facilities units. The increase in revenue from sales of properties was mainly due to the increase in gross floor area delivered during the six months ended 30 June 2023.

Cost of sales

Cost of sales of the Group increased by approximately 9.9% from approximately RMB49,640.3 million for the six months ended 30 June 2022 to approximately RMB54,532.1 million for the six months ended 30 June 2023, which was in line with the increase in revenue.

Gross profit

Gross profit of the Group increased by approximately 37.6% from approximately RMB290.4 million for the six months ended 30 June 2022 to approximately RMB399.5 million for the six months ended 30 June 2023. The Group's gross profit margin increased from approximately 0.6% in the first half of 2022 to approximately 0.7% in the first half of 2023. It was mainly attributable to the increase in the gross profit margin from the supply chain management and trading business for the six months ended 30 June 2023.

Management Discussion and Analysis (continued)

Other net (loss)/income

Other net loss of the Group was approximately RMB36.5 million for the six months ended 30 June 2023, compared to other net income of approximately RMB101.6 million for the six months ended 30 June 2022. The change was mainly attributable to (i) the net gain in fair value change on listed equity securities of approximately RMB8.3 million for the six months ended 30 June 2022, as compared to the net loss of approximately RMB30.6 million for the same period of 2023; (ii) the decrease in net gain in fair value change on wealth management products and trusts products from approximately RMB28.6 million for the six months ended 30 June 2022 to approximately RMB0.3 million for the six months ended 30 June 2023; and (iii) the net loss in fair value change on forward contracts of approximately RMB7.4 million for the six months ended 30 June 2023, as compared to the net gain of approximately RMB29.3 million for the same period last year.

Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately 17.8% from RMB88.5 million for the six months ended 30 June 2022 to approximately RMB104.2 million for the six months ended 30 June 2023. The increase was primarily due to (i) the increase in staff costs of approximately RMB9.4 million; and (ii) the increase in logistic cost of approximately RMB7.5 million.

Administrative and other expenses

Administrative and other expenses of the Group decreased by approximately 15.2% from approximately RMB248.1 million for the six months ended 30 June 2022 to approximately RMB210.4 million for the six months ended 30 June 2023. The decrease was mainly due to (i) the decrease in staff costs of approximately RMB17.5 million; and (ii) the decrease in general office expenses of approximately RMB14.7 million.

Impairment loss under expected credit loss model, net of reversal

Impairment loss reversed under expected credit loss model of the Group for the six months ended 30 June 2023 was approximately RMB50.4 million, as compared to approximately RMB130.5 million for the same period last year. The decrease was mainly caused by an increase in impairment loss of rental receivables.

Net valuation gain on investment properties

The Group holds a portion of properties which were developed for rental income and/or capital appreciation purposes. The Group's investment properties are revaluated at the end of the respective review period by an independent property valuer. The net valuation loss on investment properties was approximately RMB14.9 million for the six months ended 30 June 2022, as compared to the net valuation gain of approximately RMB112.4 million for the six months ended 30 June 2023. The change was mainly caused by the combined effect of valuation gain for additional properties transferred to investment properties for rental purposes and a slight valuation gain for existing investment properties for the six months ended 30 June 2023. The return of investment properties remains stable and the Group will closely monitor the performance of its investment and adjust its investment plan when necessary.

Management Discussion and Analysis (continued)

Finance income and costs

Finance income of the Group decreased by approximately 5.3% from approximately RMB168.6 million for the six months ended 30 June 2022 to approximately RMB159.7 million for the six months ended 30 June 2023. The decrease was mainly caused by the decrease in bank deposits during the period.

Finance cost of the Group increased by approximately 6.1% from approximately RMB295.2 million for the six months ended 30 June 2022 to approximately RMB313.2 million for the six months ended 30 June 2023. The increase was mainly caused by the net off of decrease in interest-bearing borrowings and decrease of amounts capitalised into properties under development and investment properties under development during the period.

Share of net profits of associates

Share of net profits of associates decreased by approximately 84.2% from approximately RMB5.3 million for the six months ended 30 June 2022 to approximately RMB0.8 million for the six months ended 30 June 2023. The decrease was mainly attributed to the decrease in profits of an associate during the period.

Share of net losses of joint ventures

Share of net losses of joint ventures of the Group increased by approximately 53.6% from approximately RMB0.4 million for the six months ended 30 June 2022 to approximately RMB0.6 million for the six months ended 30 June 2023. The increase was mainly attributed to the increase in losses of joint ventures during the period.

Income tax

Income tax increased by approximately 12.6% from approximately RMB18.4 million for the six months ended 30 June 2022 to approximately RMB20.7 million for the six months ended 30 June 2023. The increase was mainly due to the increase of taxable profits in certain subsidiaries in the supply chain management and trading segment.

Profit for the period

For the six months ended 30 June 2023, the Group recorded a net profit of approximately RMB37.2 million, representing an increase of approximately 19.8% over the amount of approximately RMB31.0 million for the six months ended 30 June 2022.

Management Discussion and Analysis (continued)

Liquidity and capital resources

As at 30 June 2023, the Group had net current liabilities of approximately RMB2,532.2 million (31 December 2022: approximately RMB1,442.2 million) and net assets of approximately RMB14,196.8 million (31 December 2022: approximately RMB14,148.1 million). Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position, for instance, by implementing various strategies to improve the Group's income from sales of properties, supply chain management and trading business and rentals from investment properties to generate additional operating cash inflows and considering raising additional capital by issuing bonds or new shares and disposing of non-core businesses and assets, where appropriate. As at 30 June 2023, equity attributable to equity shareholders of the Company amounted to approximately RMB13,782.2 million (31 December 2022: approximately RMB13,752.1 million), comprising issued capital of approximately RMB34.4 million (31 December 2022: approximately RMB34.4 million) and reserves of approximately RMB13,747.8 million (31 December 2022: approximately RMB13,717.6 million).

Cash position and treasury policies

The Group's cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC. As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately RMB1,491.7 million (31 December 2022: approximately RMB1,341.3 million). The Group regularly and closely monitors its funding and treasury position to meet the funding requirements of the Group by taking into consideration of the changes in economic conditions, future capital requirements and projected strategic investment opportunities.

Interest-bearing borrowings

The Group's total interest-bearing borrowings decreased by approximately 16.9% from approximately RMB18,261.0 million as at 31 December 2022 to approximately RMB15,170.5 million as at 30 June 2023. Majority of the interest-bearing borrowings were at fixed interest rate and denominated in RMB, being the functional currency of the Group. As at 30 June 2023, the Group did not use any financial instruments for hedging purpose. Details of the interest rates and the maturity profile of borrowings during the six months ended 30 June 2023 are set out in note 18 to the unaudited condensed consolidated interim results of the Company in this report.

Net gearing ratio

The Group's net gearing ratio decreased from approximately 48.56% as at 31 December 2022 to approximately 28.70% as at 30 June 2023. The decrease in net gearing ratio was mainly due to the decrease in the amount of total debts. The net gearing ratio is calculated by dividing interest-bearing borrowings and lease liabilities net of cash and cash equivalents and pledged bank deposits, by total equity attributable to equity shareholders of the Company.

Foreign exchange risk

The Group's sales were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Board expects any future exchange rate fluctuation will not have any material effect on the Group's business. As at 30 June 2023, the Group did not use any financial instruments for hedging purpose. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Management Discussion and Analysis (continued)

Charge on assets

As at 30 June 2023, the Group had pledged certain of its assets with a total book value of approximately RMB16,848.0 million (31 December 2022: approximately RMB19,212.2 million) and a total book value of approximately RMB9,528.6 million (31 December 2022: approximately RMB10,589.0 million) for the purpose of securing certain of the Group's interest-bearing borrowings and bills payables respectively.

Material acquisitions and disposals of subsidiaries, associated companies and/or joint ventures

The Group had no material acquisition or disposal of subsidiaries, associated companies and/or joint ventures during the six months ended 30 June 2023. The Group will continue to seek opportunities to sell non-core assets and businesses to enhance liquidity and devote investment resources to core businesses.

Significant investments held

Particulars of major properties (investment properties) of the Group as at 30 June 2023 are set out in note 8 to the unaudited condensed consolidated interim results of the Company in this report.

Investment properties constitute the main part of the Group's offline markets. Through self-owned capital, bank borrowings, issuance of bonds and other channels, the Group will constantly increase the investment in the market, promote the upgrade of North Hankou International Trade Centre, and build modern and international supporting facilities. It will improve service standards through professional market management, facilitating the integration of online and offline business, coordinated development and market prosperity and increasing the market value.

Save as disclosed above, the Group did not have other significant investments and future plans for material investments or capital assets for the six months ended 30 June 2023.

Segment reporting

Details of the segment reporting of the Group for the six months ended 30 June 2023 are set out in note 3 to the unaudited condensed consolidated interim results of the Company in this report.

Contingent liabilities

In accordance with industrial practice, the Group has made arrangements with various PRC banks to provide mortgage facilities to the purchasers of its pre-sold properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group will be responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the purchasers obtaining the individual property ownership certificate and the full settlement of mortgage loans by the purchasers.

As at 30 June 2023, the guarantees in relation to mortgage facilities granted to purchasers of the Group's properties amounted to approximately RMB148.8 million (31 December 2022: approximately RMB188.4 million). As at 30 June 2023, the Group provided a financial guarantee to third parties of approximately RMB308.0 million as at 30 June 2023 (31 December 2022: approximately RMB331.4 million).

Management Discussion and Analysis (continued)

CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board has issued a number of amendments to International Financial Reporting Standards that are first effective for the accounting period of six months ended 30 June 2023. For details, please refer to note 2 to the unaudited condensed consolidated interim results of the Company in this report.

EVENTS AFTER REPORTING PERIOD

Up to the date of this report, the Group did not have any material events occurred after the reporting period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group employed a total of 1,734 full time employees (30 June 2022: 1,708). Remuneration for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2023, the employee benefit expenses were approximately RMB149.3 million (for the six months ended 30 June 2022: approximately RMB157.4 million).

The Group has also adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations. The Share Option Scheme has expired on 20 June 2021. In relation to the Share Option Scheme, 15,547,407 share options were outstanding as at 30 June 2023, 30,120,543 share options were lapsed and no share option was exercised or cancelled under the Share Option Scheme during the period. The Company has approved and adopted a new share option scheme (the "2021 Share Option Scheme") on 28 May 2021 to continue the grant of share options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. As at 30 June 2023, no share option had been granted under the 2021 Share Option Scheme.

The Group has also adopted a share award scheme (the "Share Award Scheme") on 10 December 2021 to recognise the contributions by any employees (including without limitation any director) of any member of the Group, who the administration committee of the Board considers, in their absolute discretion, to have contributed or will contribute to the Group, and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. During the six months ended 30 June 2023, no awarded shares were granted, vested, cancelled or lapsed under the Share Award Scheme.

Disclosure of Other Information

SHARE OPTION SCHEMES

(a) 2011 Share Option Scheme

Pursuant to the sole shareholder's resolutions of the Company on 20 June 2011, the Company has adopted a share option scheme for the purpose of providing incentives and rewards to Eligible Participants (as defined in paragraph 2 below) who contribute to the success of the Group's operations for a period of 10 years commencing on 20 June 2011 (the "Share Option Scheme"). The Share Option Scheme was expired on 20 June 2021.

The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose of the Share Option Scheme

The Share Option Scheme is established to recognise and acknowledge the contributions of the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants (as defined below) an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively, the "Eligible Participants") to subscribe for such number of new shares as the Board may determine:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries; and
- (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

3. Total number of shares available for issue under the Share Option Scheme

As the Share Option Scheme expired on 20 June 2021, no further options can be granted under the Share Option Scheme since then. Notwithstanding its expiration, the share options which have been granted and remained outstanding (i.e. 15,547,407 share options) shall continue to be valid and exercisable subject to and in accordance with the terms on which the share options were granted, the provisions of the Share Option Scheme and the Listing Rules. As at the date of this report, there are 15,547,407 outstanding share options, representing approximately 0.13% of the issued shares of the Company as at the date of this report.

Disclosure of Other Information (continued)

4. Maximum entitlement of each participant under the Share Option Scheme

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2) and the disclaimer required under Rule 17.02(4) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"); and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting.

5. The period within which the options must be exercised under the Share Option Scheme

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the Share Option Scheme.

6. The minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be paid

Options granted must be taken up within 21 days of the date of offer, upon payment of HKD1 per grant.

8. The basis of determining the exercise price

The exercise price shall be determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary share.

9. The remaining life of the Share Option Scheme

The Share Option Scheme commenced on 20 June 2011 and expired on 20 June 2021.

Disclosure of Other Information (continued)

10. Movement of Share Options during the period under review

The Share Option Scheme was valid and effective for a period of 10 years commencing on 20 June 2011 and expired on 20 June 2021. Upon expiry of the Share Option Scheme, no further share options should be granted thereunder. The share options granted under the Share Option Scheme which remained outstanding immediately prior to the expiry of the Share Option Scheme shall be continued to be valid and exercisable in accordance with the terms of grant of the Share Option Scheme.

Particulars of share options under the Share Option Scheme (the "Share Options") outstanding at the beginning and at the end of the six months ended 30 June 2023 and Share Options exercised, cancelled or lapsed during such period are as follows:

Category of participant	Date of Grant	Exercise price per share	Vesting date and exercise period	Options to subscribe for shares of the Company					Balance as at 30 June 2023	Price per Share immediately before the date of grant	Price per Share on exercise date
				Balance as at 1 January 2023	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period			
Directors: Mr. Qi Zhiping	22 December 2017	HK\$8.48	From the date when the exercise conditions are met to 21 December 2027 (Note 1)	2,283,398	-Nil-	-Nil-	-Nil-	(1,506,027)	777,371	HK\$8.46	N/A (Note 2)
Spouse of Mr. Qi Zhiping	22 December 2017	HK\$8.48	From the date when the exercise conditions are met to 21 December 2027 (Note 1)	41,101,154	-Nil-	-Nil-	-Nil-	(27,108,489)	13,992,665	HK\$8.46	N/A (Note 2)
Employees of the Group	22 December 2017	HK\$8.48	From the date when the exercise conditions are met to 21 December 2027 (Note 1)	2,283,398	-Nil-	-Nil-	-Nil-	(1,506,027)	777,371	HK\$8.46	N/A (Note 2)
Total				45,667,950	-Nil-	-Nil-	-Nil-	(30,120,543)	15,547,407		

Notes:

- Such Share Options shall be exercisable upon fulfilment of certain financial performance targets set out in the respective letters of the grant. For further details of the financial performance targets, please refer to the paragraph headed "Management Shares and Management Options" in the circular of the Company dated 15 February 2017.
- During the six months ended 30 June 2023, 30,120,543 Share Options were lapsed. No Share Options were granted, exercised or cancelled during the six months ended 30 June 2023.

Save as disclosed above, there were no outstanding Share Options at the beginning and/or at the end of the six months ended 30 June 2023.

Disclosure of Other Information (continued)

(b) 2021 Share Option Scheme

On 28 May 2021, the Company passed an ordinary resolution to adopt a new share option scheme (the “2021 Share Option Scheme”) for the purpose of providing incentives and rewards to the selected Eligible Participants (as defined in paragraph 2 below) for their contribution or potential contribution to the development and the growth of the Group.

The following is a summary of the principal terms of the 2021 Share Option Scheme:

1. Purpose of the 2021 Share Option Scheme

The purpose of the 2021 Share Option Scheme is to enable the Company to grant Options to Eligible Participants (as defined in paragraph 2 below) as incentives or rewards for their contribution or potential contribution to the Group.

2. Participants of the 2021 Share Option Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “Eligible Participants”) to subscribe for such number of new shares as the Board may determine:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and
- (iii) any advisors, consultants, agents, suppliers, customers, distributors who in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

3. Total number of shares available for issue under the 2021 Share Option Scheme

The maximum number of shares which may be issued upon exercise of options which may be granted under the 2021 Share Option Scheme and any other share option schemes (if any) shall not in aggregate exceed 10% of the total number of shares in issue as at the adoption date (i.e. 1,178,282,580 shares). At the beginning and at the end of the six months ended 30 June 2023, 1,178,282,580 share options were available for grant under the 2021 Share Option Scheme. As at the date of this report, the number of shares available for issue under the 2021 Share Option Scheme and any other share option schemes (if any) amounted to 1,178,282,580 shares, representing approximately 9.5% of the issued share capital of the Company as at the date of this report.

4. Maximum entitlement of each participant under the 2021 Share Option Scheme

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2021 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

Disclosure of Other Information (continued)

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting.

5. The period within which the options must be exercised under the 2021 Share Option Scheme

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but shall not be more than 10 years from the date of grant of options subject to the provisions for early termination set out in the 2021 Share Option Scheme.

6. The minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised under the terms of the 2021 Share Option Scheme.

7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made, or loans for such purposes must be repaid

Options granted must be taken up within 21 days of the date of offer, upon payment of HKD1 per grant.

8. The basis of determining the exercise price

The exercise price of a share in respect of any particular option granted under the 2021 Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the shares as stated in the Stock Exchange daily quotation sheets on the date of grant of options;
- (ii) the average of the official closing prices of the shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant of options; and
- (iii) the nominal value of a share.

9. The remaining life of the 2021 Share Option Scheme

The 2021 Share Option Scheme will remain in force for a period of 10 years commencing on 28 May 2021.

During the six months ended 30 June 2023, no share option was granted, expired, lapsed, exercised or cancelled under the 2021 Share Option Scheme. There were no outstanding share options under the 2021 Share Option Scheme at the beginning and at the end of the six months ended 30 June 2023.

Disclosure of Other Information (continued)

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 10 December 2021. The Board may, from time to time, at its absolute discretion, determine the criteria for any Selected Employees to participate in the Share Award Scheme as award holders in accordance with the rules of the Share Award Scheme. The Selected Employees may be granted the Awarded Shares. The Awarded Shares to be granted under the Share Award Scheme are ordinary shares in the capital of the Company.

The Company entrusted an independent trustee appointed by the Board to hold the shares awarded by the Administration Committee under the Share Award Scheme on behalf of the Selected Employees on trust, until such Awarded Shares are vested with the relevant Selected Employees in accordance with the rules of the Share Award Scheme and the trust deed entered into between the Company and the independent trustee. Please refer to the announcement of the Company dated 10 December 2021 for further details of the Share Award Scheme.

The following is a summary of the principal terms of the Share Award Scheme:

1. Purpose of the Share Award Scheme

The purposes of the Share Award Scheme are (i) to recognise the contributions by certain Eligible 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.

2. Participants of the Share Award Scheme

The Administration Committee would, from time to time, at its absolute discretion select any employee (including without limitation any director) of any member of the Group (other than any excluded employee) for participation in the Share Award Scheme as a Selected Employee, and grant such number of Awarded Shares to any Selected Employee at no consideration, and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

In determining the number of Awarded Shares to be granted to any Selected Employee, the Administration Committee shall take into account the Selected Employees' contribution and expected contribution to the Group, the general financial condition of the Group, the Group's overall business objectives and future development plan and other matter which the administration committee considers relevant.

3. Total number of shares available for issue under the Share Award Scheme

The maximum number of Shares available for issue under the Share Award Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the adoption date (i.e. 1,178,282,580 Shares). At the beginning and at the end of the six months ended 30 June 2023, 1,161,602,580 shares were available for grant under the Share Award Scheme. As at the date of this report, the number of Shares available for issue under the Share Award Scheme amounted to 1,161,602,580 shares, representing approximately 9.4% of the issued share capital of the Company.

4. Maximum entitlement of each participant under the Share Award Scheme

The maximum number of Shares which may be awarded to a Selected Employee under the Share Award Scheme shall not exceed 1% of the issued Shares from time to time.

Disclosure of Other Information (continued)

5. The period within which the options must be exercised under the Share Award Scheme

Not applicable.

6. The vesting period of awards granted under the Share Award Scheme

When a Selected Employee has satisfied all vesting conditions specified (and as may be waived or amended from time to time) by the administration committee and becomes entitled to the Awarded Shares, the Trustee shall either transfer the Vesting Shares to such Selected Employee on the Vesting Date, or cause the Vesting Shares to be sold with the proceeds of sale (after the deduction of related sale expenses) to be transferred to the Selected Employee.

7. The amount payable on application or acceptance of the award and the period within which payments or calls must or may be made, or loans for such purposes must be repaid

Not applicable as the Awarded Shares shall be granted to the Selected Employees who have accepted the grant of an award for nil consideration.

8. The basis of determining the purchase price of shares awarded

As the Awarded Shares are to be made as awards by the Administration Committee, the Awarded Shares shall be granted to the Selected Employees who have accepted the grant of an award for nil consideration.

9. The remaining life of the Share Award Scheme

The Share Award Scheme shall terminate on the earlier of (i) the 10th anniversary date of the adoption date; and (ii) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any Selected Employee thereunder.

During the six months ended 30 June 2023, no Awarded Shares were granted by the Company in accordance with the terms of the Share Award Scheme. No Awarded Shares had been vested, cancelled or lapsed during the six months ended 30 June 2023. There were no unvested Awarded Shares under the Share Award Scheme at the beginning and at the end of the six months ended 30 June 2023.

FURTHER UPDATE ON THE PROGRESS OF THE VERY SUBSTANTIAL ACQUISITION

References are made to the announcements of the Company dated 27 June 2017, 2 April 2018, 2 October 2018, 18 October 2018, 1 April 2019, 30 September 2019, 29 November 2019, 23 January 2020, 31 March 2021, 31 August 2021, 31 December 2021, 30 June 2022 and 3 January 2023 (collectively, the "Announcements"), the annual report of Company dated 31 March 2023, and the circular of the Company dated 11 December 2017 (the "Circular") in relation to, among other things, the Further Acquisition. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcements and the Circular.

As at the date of this interim report, a separate share purchase agreement has been entered into between the Parties for the acquisition of the second tranche of the Subsequent Target Equity Interest (being 3% of the total equity interest of the Project Company). The Parties are in the progress of fulfilling the remaining conditions precedent of the second tranche of the Subsequent Acquisition, in particular, the settlement of the remaining 80% of the consideration (i.e. approximately RMB88 million). It is expected that the acquisition of the second tranche of the Subsequent Target Equity Interest would complete on or before 31 December 2023.

Disclosure of Other Information (continued)

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Schemes" and "Share Award Scheme" in this report, at no time during the period under review was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or chief executive of the Company or their spouses or minor children had any right to subscribe for equity and debt securities of the Company or any of its associated corporations or had exercised any such right during the period under review.

CHANGES IN INFORMATION OF DIRECTORS

The changes in information of Directors as notified to the Company since the Company's last published annual report are as follows:

1. Mr. Yan Zhi ceased to act as a director and the chairman of the board of director of LightInTheBox Holding Co., Ltd. ("LightInTheBox"), a company listed on the New York Stock Exchange, in March 2023.
2. Dr. Gang Yu ceased to act as a director of LightInTheBox, a company listed on the New York Stock Exchange, in March 2023.
3. Mr. Yu Wei was appointed as a director of LightInTheBox, a company listed on the New York Stock Exchange, in March 2023.
4. Mr. Cheung Ka Fai was re-designated from the chief financial officer to the chief executive officer of International Genius Company, a company listed on the Main Board of the Stock Exchange, in July 2023.

Save as disclosed above, there is no change in the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

Disclosure of Other Information (continued)

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests or short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Interests in shares and underlying shares of the Company

Name of Director	Nature of interest	Number of ordinary shares/ underlying shares held	Approximate percentage of shareholding as at 30 June 2023 ⁽³⁾
Mr. Yan Zhi	Interest of controlled corporations	8,619,250,868 (L) ⁽¹⁾	69.51%
	Beneficial owner	73,833,000 (L)	0.60%
Dr. Gang Yu	Beneficial owner	90,960,840 (L)	0.73%
	Interest of spouse	11,800,000 (L)	0.10%
Mr. Qi Zhiping	Beneficial owner	4,560,324 (L) ^{(2)(a)}	0.04%
	Interest of spouse	21,555,809 (L) ^{(2)(b)}	0.17%
Mr. Yu Wei	Beneficial owner	290,000 (L)	0.00%
Mr. Xia Lifeng	Beneficial owner	898,000 (L)	0.01%
Mr. Cheung Ka Fai	Beneficial owner	180,000 (L)	0.00%
Mr. Wu Ying	Beneficial owner	180,000 (L)	0.00%
Mr. Zhu Zhengfu	Beneficial owner	180,000 (L)	0.00%

(L) represents long position.

Notes:

- (1) The 7,309,850,268 shares and 1,309,400,600 shares are held by Zall Development Investment Company Limited ("Zall Development Investment") and Zall Holdings Company Limited ("Zall Holdings"), respectively. Both companies are wholly owned by Mr. Yan Zhi.
- (2) (a) These interests comprise (i) 3,517,180 shares; (ii) 265,773 unreleased Management Shares as detailed in note 2(c); and (iii) 777,371 underlying shares in respect of share options granted by the Company pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes".
- (b) These interests comprise (i) 2,779,259 shares; (ii) 4,783,885 unreleased Management Shares as detailed in note 2(c); and (iii) 13,992,665 underlying shares in respect of share options granted by the Company to the spouse of Mr. Qi Zhiping pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes". By virtue of the SFO, Mr. Qi Zhiping is deemed to be interested in the shares held by his spouse.
- (c) As the release of lock-up conditions was not fulfilled following the publication of 2022 annual report of the Company, all unreleased Management Shares shall be sold to public investors with respective proceeds remitted to the Purchaser. For details, please refer to the paragraph headed "Management Shares and Management Options" in the circular of the Company dated 15 February 2017 and note 19(b) of this report.
- (3) The percentages are calculated based on the total number of shares of the Company in issue as at 30 June 2023 which was 12,399,505,800.

Disclosure of Other Information (continued)

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as is known to any Director, as at 30 June 2023, the following persons, other than a Director or chief executive of the Company, had or deemed or taken to have an interest or short position in the shares or underlying shares of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of ordinary shares/ underlying shares held	Approximate percentage of shareholding as at 30 June 2023 ⁽³⁾
<i>Substantial shareholder</i>			
Zall Development Investment	Beneficial owner	7,309,850,268 (L) ⁽¹⁾	58.95%
Zall Holdings	Beneficial owner	1,309,400,600 (L) ⁽¹⁾	10.56%
<i>Other persons</i>			
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation	685,689,000 (L) ⁽²⁾	5.53%
Huarong Huaqiao Asset Management Co., Ltd.	Interest of controlled corporation	685,689,000 (L) ⁽²⁾	5.53%

(L) represents long position.

Notes:

- (1) Zall Development Investment and Zall Holdings are companies wholly owned by Mr. Yan Zhi.
- (2) The 535,689,000 shares and 150,000,000 shares (685,689,000 shares in total) are held by Dream Heaven Limited and Superb Colour Limited respectively. Both companies are indirectly and wholly owned by Huarong Huaqiao Asset Management Co., Ltd., which in turn is owned as to approximately 91% by China Huarong Asset Management Co., Limited.
- (3) The percentages are calculated based on the total number of Shares of the Company in issue as at 30 June 2023 which was 12,399,505,800.

There was a duplication of interest of 7,309,850,268 shares between Mr. Yan Zhi and Zall Development Investment and a duplication of interest of 1,309,400,600 shares between Mr. Yan Zhi and Zall Holdings.

There was a duplication of interest of 685,689,000 shares among Huarong Huaqiao Asset Management Co., Ltd. and China Huarong Asset Management Co., Limited.

Disclosure of Other Information (continued)

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any person, other than a Director or chief executive 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 under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Corporate Governance Code (the “CG Code”) as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its corporate governance code of practices. In the opinion of the Board, the Company had complied with all the code provisions as set out in the CG Code throughout the six months ended 30 June 2023.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”) as the code for dealing in securities of the Company by the Directors during the six months ended 30 June 2023. The Board confirms that, having made specific enquiries with each of the Directors, all Directors have complied with the required standards of the Model Code during the six months ended 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

DEED OF NON-COMPETITION

As further set out in the circular of the Company dated 31 December 2014 (the “Restructuring Circular”), the Group previously carried out certain restructuring of its businesses (the “Restructuring”) to, among others, dispose of certain of its non-core businesses to its controlling shareholders. After the Restructuring and until the Group has disposed of or realised all its remaining non-core property projects, the business owned/controlled by the controlling shareholders may overlap with the business of the Group in terms of business nature (but not necessarily in direct competition). As such, a revised deed of non-competition dated 30 June 2015 (superseding the original deed of non-competition dated 20 June 2011) was entered into by the Company’s controlling shareholders in favour of the Company (as superseded, the “Deed of Non-Competition”), pursuant to which each of the controlling shareholders of the Company has undertaken to the Company that he/she/it will not and will procure that his/her/its associates (other than members of the Group) not to engage in any of the Group’s businesses including (without limitation) developing and operating large-scale, consumer product focused wholesale shopping malls in China.

As at 30 June 2023, except North Hankou Zall Life City — Phase II, all of the Remaining Non-core Projects (as defined in the Restructuring Circular) have been disposed of. North Hankou Zall Life City — Phase II is a residential project with gross floor area of approximately 207,000 square metres in North Hankou region. The project has been substantially completed and most of the properties have been sold, with approximately 43,000 square metres remaining. The Group will sell the remaining properties in line with market conditions.

Further details of the Restructuring and the Deed of Non-Competition were disclosed in the Restructuring Circular.

Disclosure of Other Information (continued)

REVIEW OF THE INTERIM REPORT

The interim financial report for the six months ended 30 June 2023 is unaudited and has not been reviewed by the auditors of the Company, but has been reviewed by the audit committee of the Company (the "Audit Committee"). The Audit Committee has reviewed with the management of the Company the Group's unaudited condensed consolidated interim results and financial report for the six months ended 30 June 2023 and has also reviewed and confirmed the accounting principles and practises adopted by the Group and discussed the auditing, internal control, risks management and financial reporting matters of the Group.

The Audit Committee has been established in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The primary responsibilities of the Audit Committee are to review and monitor the financial reporting, risk management and internal control systems of the Company and to assist the Board to fulfil its responsibilities over audit.

The Audit Committee consists of three independent non-executive Directors, namely Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu. Mr. Cheung Ka Fai serves as the chairman of the Audit Committee.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. In the auditor's report dated 31 March 2023, the auditors expressed an unqualified opinion on those financial statements but drew attention to conditions which indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

DIRECTORS

As at the date of this interim report, the executive Directors are Mr. Yan Zhi, Dr. Gang Yu, Mr. Qi Zhiping, Mr. Yu Wei and Mr. Xia Lifeng; the independent non-executive Directors are Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu.

By order of the Board
Zall Smart Commerce Group Ltd.
Yan Zhi
Co-chairman

Hong Kong, 31 August 2023

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	3(a)	54,931,545	49,930,636
Cost of sales		(54,532,092)	(49,640,259)
Gross profit		399,453	290,377
Other net (loss)/income	4	(36,541)	101,614
Selling and distribution expenses		(104,242)	(88,472)
Administrative and other expenses		(210,425)	(248,071)
Impairment loss under expected credit loss model, net of reversal		50,430	130,481
Gain from operations before changes in fair value of investment properties		98,675	185,929
Net valuation gain/(loss) on investment properties	8	112,410	(14,872)
Profit from operations		211,085	171,057
Finance income	5(a)	159,746	168,632
Finance costs	5(a)	(313,245)	(295,183)
Share of net profits of associates		831	5,252
Share of net losses of joint ventures		(550)	(358)
Profit before taxation	5	57,867	49,400
Income tax	6	(20,715)	(18,398)
Profit for the period		37,152	31,002
Attributable to:			
Equity shareholders of the Company		22,364	78
Non-controlling interests		14,788	30,924
Profit for the period		37,152	31,002
Earnings per share (RMB cents)			
Basic	7(a)	0.18	0.00
Diluted	7(b)	0.18	0.00

The notes on pages 39 to 74 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in notes 20(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Profit for the period	37,152	31,002
Other comprehensive income for the period (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of an associate	—	15
Exchange differences on translation of:		
— financial statements of operations outside Mainland China	7,812	40,591
Other comprehensive income for the period	7,812	40,606
Total comprehensive income for the period	44,964	71,608
Attributable to:		
Equity shareholders of the Company	30,176	40,923
Non-controlling interests	14,788	30,685
Total comprehensive income for the period	44,964	71,608

The notes on pages 39 to 74 form part of this interim financial report.

Consolidated Statement of Financial Position

As at 30 June 2023 — unaudited

(Expressed in Renminbi)

	Note	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Non-current assets			
Investment properties	8	23,674,456	23,475,664
Property, plant and equipment	9	331,072	291,524
Intangible assets		438,221	444,993
Goodwill	10	251,498	251,498
Interests in associates		225,288	194,457
Interests in joint ventures		18,680	19,230
Contract assets	11(a)	30,418	30,418
Deferred tax assets		442,811	419,367
		25,412,444	25,127,151
Current assets			
Financial assets at fair value through profit or loss	12	767,931	684,792
Inventories	13	5,200,853	4,508,221
Prepaid taxes		26,745	38,808
Trade and other receivables	14	16,284,918	17,383,123
Amounts due from related parties	24(d)	804,257	639,920
Pledged bank deposits	15	9,746,697	10,255,721
Cash and cash equivalents	16	1,491,709	1,341,318
		34,323,110	34,851,903
Non-current assets classified as held for sale		374,334	380,016
		34,697,444	35,231,919
Current liabilities			
Financial liabilities at fair value through profit or loss	12	388,504	77,380
Trade and other payables	17	16,377,672	16,208,114
Contract liabilities	11(b)	8,398,613	6,453,504
Lease liabilities		6,175	10,828
Amounts due to related parties	24(e)	767,362	434,431
Interest-bearing borrowings	18	10,752,190	12,951,172
Current taxation		500,065	498,844
		37,190,581	36,634,273
Liabilities associated with assets held for sale		39,052	39,837
		37,229,633	36,674,110
Net current liabilities		(2,532,189)	(1,442,191)
Total assets less current liabilities		22,880,255	23,684,960

Consolidated Statement of Financial Position (continued)

As at 30 June 2023 — unaudited
(Expressed in Renminbi)

	Note	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Non-current liabilities			
Interest-bearing borrowings	18	4,418,347	5,309,836
Deferred income		5,049	6,105
Lease liabilities		17,357	3,132
Deferred tax liabilities		4,242,662	4,217,781
		8,683,415	9,536,854
NET ASSETS		14,196,840	14,148,106
CAPITAL AND RESERVES			
Share capital	20	34,454	34,454
Reserves		13,747,780	13,717,604
Total equity attributable to equity shareholders of the Company		13,782,234	13,752,058
Non-controlling interests		414,606	396,048
TOTAL EQUITY		14,196,840	14,148,106

Approved and authorised for issue by the Board of Directors on 31 August 2023.

Yan Zhi
Co-chairman, Executive Director and
Co-chief executive officer

Qi Zhiping
Executive Director and
Co-chief executive officer

The notes on pages 39 to 74 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 — unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Shares held for various incentive plan	PRC statutory reserve	Other reserve	Exchange reserve	Revaluation reserve	Equity-settled share-based payment reserve	Fair value reserve (non-recycling)	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	32,733	4,512,318	(39,029)	538,238	163,895	(148,654)	36,946	51,991	(9,375)	11,315,660	16,454,723	324,618	16,779,341
Changes in equity for the six months ended 30 June 2022													
Profit for the period	-	-	-	-	-	-	-	-	-	78	78	30,924	31,002
Other comprehensive income:													
Share of other comprehensive income of an associate	-	-	-	-	-	15	-	-	-	-	15	-	15
Exchange differences on translation of financial statements of operations outside Mainland China	-	-	-	-	-	40,830	-	-	-	-	40,830	(239)	40,591
Total comprehensive income	-	-	-	-	-	40,845	-	-	-	78	40,923	30,685	71,608
Appropriation to statutory reserve	-	-	-	550	-	-	-	-	-	(550)	-	-	-
Issue of shares	1,673	247,574	-	-	-	-	-	-	-	-	249,247	-	249,247
Capital injection from non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	4,835	4,835
Balance at 30 June 2022	34,406	4,759,892	(39,029)	538,788	163,895	(107,809)	36,946	51,991	(9,375)	11,315,188	16,744,893	360,138	17,105,031
Balance at 1 January 2023	34,454	4,766,905	(39,029)	386,309	163,895	(68,074)	36,946	51,991	(9,375)	8,428,036	13,752,058	396,048	14,148,106
Changes in equity for the six months ended 30 June 2023													
Profit for the period	-	-	-	-	-	-	-	-	-	22,364	22,364	14,788	37,152
Other comprehensive income:													
Exchange differences on translation of financial statements of operations outside Mainland China	-	-	-	-	-	7,812	-	-	-	-	7,812	-	7,812
Total comprehensive income	-	-	-	-	-	7,812	-	-	-	22,364	30,176	14,788	44,964
Appropriation to statutory reserve	-	-	-	4,305	-	-	-	-	-	(4,305)	-	-	-
Capital injection from non-controlling interest of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	3,770	3,770
Balance at 30 June 2023	34,454	4,766,905	(39,029)	390,614	163,895	(60,262)	36,946	51,991	(9,375)	8,446,095	13,782,234	414,606	14,196,840

The notes on pages 39 to 74 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Operating activities			
Cash generated from operations		2,705,351	1,062,217
Income tax paid		(5,994)	(20,552)
Net cash generated from operating activities		2,699,357	1,041,665
Investing activities			
Payment for the purchase of property, plant and equipment and investment properties		(51,158)	(10,616)
Payment for the purchase of intangible assets		(16,117)	(20,947)
Proceeds from disposal of property, plant and equipment		12,098	2,300
Proceeds from disposal of intangible assets		1,612	9,076
Decrease/(increase) in pledged bank deposits		509,024	(1,775,683)
Interest received		159,746	54,260
Payment for investment in associates		(30,000)	—
Cash received from disposal of joint ventures and associates		—	3,300
Cash receipt from financial assets at fair value through profit or loss		971,548	1,063,472
Purchase of financial assets at fair value through profit or loss		(782,380)	(392,027)
Advance to related parties and non-controlling shareholders of subsidiaries		(454,470)	(352,007)
Repayment from related parties and non-controlling shareholders of subsidiaries		290,133	249,096
Net cash generated from/(used in) investing activities		610,036	(1,169,776)

Condensed Consolidated Cash Flow Statement (continued)

For the six months ended 30 June 2023 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Financing activities			
Proceeds from issue of shares		—	249,247
Advance from related parties and non-controlling shareholders of subsidiaries		364,194	95,210
Repayment to related parties and non-controlling shareholders of subsidiaries		(31,263)	(13,807)
Proceeds from new bank loans and loans from other financial institutions		924,129	818,257
Repayment of bank loans and loans from other financial institutions		(3,818,511)	(1,157,377)
Proceeds from other loans		98,392	1,166,468
Repayment of other loans		(324,592)	(373,368)
Interest and other borrowing costs paid		(371,751)	(441,881)
Proceeds from capital injection from non-controlling interests		3,770	4,835
Capital element of lease rentals paid		(4,554)	(6,710)
Interest element of lease rentals paid		(503)	(432)
Net cash (used in)/generated from financing activities		(3,160,689)	340,442
Net increase in cash and cash equivalents		148,704	212,331
Cash and cash equivalents at 1 January	16	1,341,318	1,095,766
Effect of foreign exchange rate changes		1,687	1,274
Cash and cash equivalents at 30 June	16	1,491,709	1,309,371

The notes on pages 39 to 74 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 31 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Zall Smart Commerce Group Ltd. (the "Company") and its subsidiaries (together referred to as the "Group") since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2022 are available from the Company's registered office. In the auditor's report dated 31 March 2023, the auditors expressed an unqualified opinion on those financial statements but drew attention to conditions which indicated existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

As at 30 June 2023, the Group had net current liabilities of approximately RMB2,532,189,000 (31 December 2022: RMB1,442,191,000). The Group is dependent upon the financial support from the Group's bankers and financial institutions and its ability to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments, which may indicate the existence of a material uncertainty on the Group's ability to continue as a going concern.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION *(Continued)*

The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing the Group's ability to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its repayment obligations, as and when they fall due. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include the following:

- the Group is working on generating positive operating cash flows by implementing various strategies to improve the Group's income from supply chain management and trading business and rentals from investment properties to generate additional operating cash inflows;
- the Group actively and regularly reviews its capital structure and will negotiate with banks and other financial institutions for roll-over or re-financing its existing borrowings and consider raising additional capital by issuing bonds or new shares, where appropriate;
- the Group may continue to dispose of non-core business and assets to raise additional capital.

In addition, as disclosed in note 18, bank loans and loans from other financial institutions of RMB5,233,292,000 were guaranteed and/or secured by certain investment properties, investment properties under development, properties under development for sale, completed properties held for sale and other assets of the Group at 30 June 2023 (31 December 2022: RMB4,357,140,000). The Group considered it has sufficient collateral to support the roll-over or refinancing of such banking facilities when they fall due. In making this assessment, the Group has considered, among other things, the nature, the value and the volatility of value of its overall property portfolio, including those properties that are currently not pledged.

If the above measures are successful, the Directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period. Consequently, the interim financial report for the six months ended 30 June 2023 has been prepared on a going concern basis. The financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern.

The interim financial report is unaudited and has not been reviewed by the auditor, but has been reviewed by the audit committee of the Company (the "Audit Committee").

2 CHANGES IN ACCOUNTING POLICIES

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are developing and operating of large-scale consumer product-focused wholesale shopping malls in the People's Republic of China (the "PRC"), and providing supply chain management and trading business, e-commerce services, financial services, warehousing and logistics services for the online and offline customers. Further details regarding the Group's principal activities are disclosed in note 3(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or services lines is as follows:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
— Revenue from sales of properties and related services	64,112	36,602
— Revenue from supply chain management and trading business	54,678,564	49,716,755
— Revenue from construction contracts	—	358
— Others	13,091	4,158
	54,755,767	49,757,873
Revenue from other sources		
Gross rentals from investment properties		
— Lease payments that are fixed	115,408	129,409
Financing income	34,924	43,341
Others	25,446	13
	54,931,545	49,930,636

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 3(b)(i) and 3(b)(iii), respectively.

The Group's operations are not subject to seasonality fluctuations.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 30 June 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB215,801,000 (31 December 2022: RMB232,083,000). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development and construction contracts entered into by the customers with the Group. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers. The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the properties under development for sale, when the properties are accepted by the customer or deemed as accepted according to the contract (whichever is earlier), which is expected to occur over the next 1 to 24 months (31 December 2022: next 1 to 24 months).

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for goods, such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of goods that had an original expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (product and services). 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 presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Property development and related services: this segment develops, sells and operates large-scale consumer product-focused wholesale shopping malls and provides related value-added business, such as warehousing and logistics.
- Supply chain management and trading: this segment operates trading of agricultural products, chemical materials, plastic raw materials, consumer goods, black and non-ferrous metals, etc., and also provides trading related supply chain finance services.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and joint ventures, deferred tax assets, prepaid taxes, assets held for sale and other corporate assets. Segment liabilities include trade creditors, accruals, bills payable and lease liabilities attributable to the sales activities of the individual segments and bank borrowings managed directly by the segments and exclude current taxation, deferred tax liabilities and liabilities associated with assets held for sale.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is the profit before finance costs, income tax, and is further adjusted for items not specifically attributed to individual segments, such as share of profits or losses of joint ventures and associates, directors' and auditors' remuneration and other head office or corporate administration costs.

In addition, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances, borrowings and derivative managed directly by the segments and depreciation to non-current segment assets used by the segments in their operations.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

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 six months ended 30 June 2023 and 2022 is set out below.

	Property development and related services		Supply chain management and trading		Total	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
For the six months ended 30 June						
Disaggregated by timing of revenue recognition						
Point in time	15,935	427	54,704,010	49,725,076	54,719,945	49,725,503
Over time	163,571	165,942	34,938	35,020	198,509	200,962
Revenue from external customers and reportable segment revenue	179,506	166,369	54,738,948	49,760,096	54,918,454	49,926,465
Reportable segment profit	67,061	91,895	74,881	27,241	141,942	119,136
Net valuation gain/(loss) on investment properties	112,410	(14,872)	–	–	112,410	(14,872)
Finance income	4	1,015	159,737	167,615	159,741	168,630
Finance costs	(99,125)	(84,355)	(214,096)	(207,847)	(313,221)	(292,202)
Depreciation and amortisation	(7,244)	(18,168)	(33,177)	(22,653)	(40,421)	(40,821)
Share of net (losses)/profits of associates	–	–	(1,164)	5,252	(1,164)	5,252
Share of net losses of joint ventures	–	–	(550)	(358)	(550)	(358)
Additions to non-current segment assets	13,309	140	73,406	10,476	86,715	10,616
As at 30 June/31 December						
Reportable segment assets	27,227,029	27,413,241	30,385,484	31,414,508	57,612,513	58,827,749
Reportable segment liabilities	4,239,915	4,147,737	34,647,289	35,858,835	38,887,204	40,006,572

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenue and profit or loss

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Revenue		
Reportable segment revenue	54,918,454	49,926,465
Other revenue	13,091	4,171
Consolidated revenue (note 3(a))	54,931,545	49,930,636
Profit		
Reportable segment profit derived from the Group's external customers	141,942	119,136
Other net (loss)/income	(36,541)	101,614
Net valuation gain/(loss) on investment properties	112,410	(14,872)
Finance income	159,741	168,630
Finance costs	(313,221)	(292,202)
Share of net (losses)/profits of associates	(1,164)	5,252
Share of net losses of joint ventures	(550)	(358)
Unallocated head office and corporate expenses	(4,750)	(37,800)
Consolidated profit before taxation	57,867	49,400

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, other property, plant and equipment, intangible assets, goodwill, interest in associates and joint ventures and contract assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in associates and joint ventures.

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June 2023 RMB'000	Six months ended 30 June 2022 RMB'000	30 June 2023 RMB'000	31 December 2022 RMB'000
PRC	53,386,294	44,654,286	24,965,086	24,705,790
Singapore	1,545,251	5,273,143	4,547	1,994
Others	–	3,207	–	–
	54,931,545	49,930,636	24,969,633	24,707,784

The geographical analysis above includes property rental income from external customers in Mainland China for the six months ended 30 June 2023 of RMB115,408,000 (six months ended 30 June 2022: RMB129,409,000).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

4 OTHER NET (LOSS)/INCOME

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Net fair value changes on financial instruments at fair value through profit or loss		
— listed equity securities	(30,559)	8,294
— wealth management products and trust products	267	28,630
— forward contracts	(7,446)	29,300
— contingent consideration	(1,079)	4,000
Government subsidies	12,910	15,339
Net gain on disposal of an associate	—	300
Others	(10,634)	15,751
	(36,541)	101,614

5 PROFIT BEFORE TAXATION

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

(a) Finance (income)/costs

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Finance income		
Interest income	(159,746)	(168,632)
Finance costs		
Interest on interest-bearing borrowings	347,066	449,035
Interest on lease liabilities	503	432
Other borrowing costs	3,958	4,726
Less: Amounts capitalised into properties under development and investment properties under development	(50,406)	(176,959)
	301,121	277,234
Bank charge and others	20,224	33,486
Net foreign exchange gain	(8,100)	(15,537)
	313,245	295,183

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

5 PROFIT BEFORE TAXATION (Continued)

(b) Staff costs

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Salaries, wages and other benefits	138,973	144,757
Contributions to defined contribution retirement plans	10,372	12,635
	149,345	157,392

(c) Other items

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Amortisation	21,277	25,197
Depreciation		
— owned property, plant and equipment	12,802	19,548
— right-of-use assets	6,767	7,330
Research and development costs (other than amortisation)	5,789	586
Impairment losses recognised/(reversed) under expected credit loss model		
— trade debtors and bill receivables	19,656	(31,678)
— loans and factoring receivables	38	(5,736)
Short-term lease expenses	5,192	1,144
Cost of construction contract	—	358
Cost of commodities sold	54,483,824	49,621,075
Cost of properties sold	14,291	4,064

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Current tax		
PRC Corporate Income Tax ("PRC CIT")	19,690	16,887
PRC Land Appreciation Tax ("PRC LAT")	1,109	1,075
	20,799	17,962
Deferred tax		
Origination and reversal of temporary differences	(84)	436
	20,715	18,398

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands. Also, certain subsidiaries located in the British Virgin Islands ("BVI") are not subject to any income tax in their local jurisdictions.
- (ii) No provision for Hong Kong Profits Tax or Singapore Corporate Income Tax as the Group did not earn any assessable income subject to Hong Kong Profits Tax or Singapore Corporate Income Tax during the six months ended 30 June 2023 and 2022.
- (iii) Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy and e-commerce industry in Guangxi Province, one subsidiary of the Group, GSMN Logistics Co., Ltd., is subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2023, and two subsidiaries of the Group, Guangxi Sugar Market Network Co., Ltd. and Guangxi Bave Block Trading Market Co., Ltd. are subject to PRC CIT at a preferential tax rate of 9% for the six months ended 30 June 2023. Pursuant to the rules and regulations applicable to advanced technology enterprises of the PRC, three subsidiaries of the Group, Zallgo Information Technology (Wuhan) Co., Ltd., Shenzhen AP88. com Agriculture Information Technology Limited and Zallsoon Information Technology (Wuhan) Co., Ltd. are subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2023. The application of preferential tax rate will be reviewed by the tax authority annually.

All the other PRC subsidiaries of the Group are subject to income tax at 25% for the six months ended 30 June 2023 under the PRC Corporate Income Tax Law which was enacted on 16 March 2007.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX (Continued)

- (iv) PRC LAT which is levied on properties developed for sale by the Group in the PRC, at progressive rates ranging from 30% to 60% on the appreciation value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and all qualified property development expenditures. Deferred tax assets arising from PRC LAT accrued are calculated based on the applicable income tax rates when they are expected to be cleared.

In addition, certain subsidiaries of the Group were subject to PRC LAT which is calculated based on 8% of their revenue in accordance with the authorised tax valuation method approved by their respective local tax bureau.

The directors of the Company are of the opinion that the authorised tax valuation method is one of the allowable taxation methods in the PRC and the respective local tax bureaus are the competent tax authorities to approve the authorised tax valuation method in charging PRC LAT to the respective PRC subsidiaries of the Group, and the risk of being challenged by the State Tax Bureau or any tax bureau of higher authority is remote.

- (v) According to the PRC Corporate Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interests of the PRC company.

The provision of the related deferred tax liabilities, if any, are based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008. Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of the retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB22,364,000 (six months ended 30 June 2022: RMB78,000) and the weighted average of 12,396,110,000 ordinary shares (adjusted for ordinary shares issued pursuant to the Acquisition Agreement (note 19(b))) in issue during the six months ended 30 June 2023 (six months ended 30 June 2022: 11,989,665,000).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares issued for the six months ended 30 June 2023 and 2022, and therefore, diluted earnings per share are the same as the basic earnings per share for the six months ended 30 June 2023 and 2022.

8 INVESTMENT PROPERTIES

The Group's investment properties carried at fair value were revalued as at 30 June 2023 by Jones Lang Lasalle Corporate Appraisal and Advisory Limited, an independent firm of surveyors, using the same valuation techniques as were used by this valuer when arranging out the December 2022 valuations.

As a result of the update, a net fair value gain of RMB112,410,000 (six months ended 30 June 2022: net loss of RMB14,872,000), and deferred tax charge thereon of RMB28,103,000 (six months ended 30 June 2022: deferred tax credit of RMB3,718,000), has been recognised in profit or loss in respect of investment properties.

As at 30 June 2023, the Group's investment properties and investment properties under development with an aggregated carrying value of RMB11,705,391,000 (31 December 2022: RMB10,341,008,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group entered into several lease agreements for use of office premises and warehouses, and therefore recognised the additions to right-of-use assets of RMB19,741,000.

There were no rent concessions received during the six months ended 30 June 2023 and 2022. The amount of fixed lease payments for the interim reporting period is summarised below:

	Six months ended 30 June 2023		
	Fixed payments RMB'000	COVID-19 rent concessions RMB'000	Total payments RMB'000
Office premises and warehouses	5,057	–	5,057

	Six months ended 30 June 2022		
	Fixed payments RMB'000	COVID-19 rent concessions RMB'000	Total payments RMB'000
Office premises and warehouses	6,710	–	6,710

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with aggregate costs of RMB51,158,000 (six months ended 30 June 2022: RMB10,616,000).

Items of property, plant and equipment with net book value of RMB11,782,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB2,305,000), resulting in a gain on disposal of RMB316,000 (six months ended 30 June 2022: loss of RMB5,000).

As at 30 June 2023, the ownership certificates for certain buildings with net book value of RMB44,292,000 have not been obtained (31 December 2022: RMB45,363,000).

As at 30 June 2023, the Group's buildings with carrying value of RMB64,413,000 (31 December 2022: RMB99,895,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

10 GOODWILL

	RMB'000
Cost:	
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	1,771,367
Accumulated impairment losses:	
At 1 January 2022	(1,252,786)
Impairment loss recognised	(267,083)
At 31 December 2022, 1 January 2023 and 30 June 2023	(1,519,869)
Carrying amount:	
At 31 December 2022	251,498
At 30 June 2023	251,498

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

11 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	30 June 2023 RMB'000	31 December 2022 RMB'000
Contract assets		
Arising from performance under construction contracts	30,418	30,418
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (note 14)	6,234,931	5,990,370

The amount of contract assets that is expected to be recovered after more than one year is RMB30,418,000 as at 30 June 2023 (31 December 2022: RMB30,418,000).

(b) Contract liabilities

	30 June 2023 RMB'000	31 December 2022 RMB'000
Property development and related services		
— Forward sales deposits and instalments received	182,416	185,172
Supply chain management and trading		
— Deposits received from third parties	8,208,407	6,240,733
Others		
— Deposits received	7,790	27,599
	8,398,613	6,453,504

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

12 FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 RMB'000	31 December 2022 RMB'000
Financial assets at fair value through profit or loss		
Listed equity securities in Hong Kong		
— Fullshare Holdings Limited	27,788	55,958
Listed equity securities in the United States		
— LightInTheBox Holding Co., Ltd	4,434	4,455
Derivative financial instrument		
— Wealth management products and trust products (i)	265,267	448,899
— Forward contracts	447,696	151,656
Contingent consideration		
— acquisition of Shenzhen Sinoagri E-commerce Co., Ltd. ("Shenzhen Sinoagri") (ii)	22,746	23,824
	767,931	684,792
Financial liabilities at fair value through profit or loss		
Forward contracts	388,504	77,380

- (i) The amount represents investments in wealth management products and trust products issued by reputable financial institutions in the PRC. There are no fixed or determinable returns of these wealth management products and trust products. Wealth management products and trust products with an aggregate carrying amount of RMBnil (31 December 2022: RMB385,000,000) were pledged as collateral for the Group's bills payables (note 17).
- (ii) The amount represents the contingent consideration of acquisition of Shenzhen Sinoagri amounting to RMB22,746,000 as at 30 June 2023 (31 December 2022: RMB23,824,000). The amount is generated as a result of part of the consideration of the acquisition which depends on the post-acquisition financial performance of Shenzhen Sinoagri.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

13 INVENTORIES

	30 June 2023 RMB'000	31 December 2022 RMB'000
Properties under development for sale	1,999,494	1,951,005
Completed properties held for sale	1,218,684	1,286,848
Commodities	1,982,675	1,270,368
	5,200,853	4,508,221

As at 30 June 2023, properties under development for sale with an aggregate carrying value of RMB234,188,000 (31 December 2022: RMB233,860,000) and completed properties held for sale with an aggregate carrying value of RMB193,474,000 (31 December 2022: RMB174,276,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

14 TRADE AND OTHER RECEIVABLES

	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade debtors and bills receivables, net of loss allowance	6,511,329	8,351,748
Loans and factoring receivables, net of loss allowance	492,794	966,372
	7,004,123	9,318,120
Advances to suppliers	7,005,985	5,533,980
Other receivables, deposits and prepayments	2,274,810	2,531,023
	16,284,918	17,383,123

As at 30 June 2023, other receivables of RMB8,000,000 (31 December 2022: RMB8,000,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis of trade debtors and bill receivables

As at the end of the reporting period, the ageing analysis of trade debtors and bill receivables based on revenue recognition date and net of allowance for impairment losses, is as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 6 months	5,647,450	5,407,412
6 to 12 months	338,493	2,672,998
Over 12 months	525,386	271,338
	6,511,329	8,351,748

Customers are normally granted credit terms of 0 to 360 days, depending on the credit worthiness of individual customers.

(b) Loans and factoring receivables, net of loss allowance

	30 June 2023 RMB'000	31 December 2022 RMB'000
Secured loans receivable, net of loss allowance (i)	331,671	827,903
Factoring receivables, net of loss allowance	161,123	138,469
	492,794	966,372

- (i) Secured loans receivables represent secured loans advanced to third-party borrowers secured by the borrowers' inventories, properties or unlisted shares.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES (Continued)

(b) Loans and factoring receivables, net of loss allowance (Continued)

Ageing analysis

As at the end of the reporting period, the ageing analysis of loans and factoring receivables based on recognition date of loans and factoring receivables and net of allowance for doubtful debts, is as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 6 months	225,678	767,653
6 to 12 months	107,083	82,623
Over 12 months	160,033	116,096
	492,794	966,372

Borrowers are normally granted credit terms of 180 to 360 days, depending on the credit worthiness of individual customers.

15 PLEDGED BANK DEPOSITS

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
Secured for bank loans	18	20,000	–
Secured for letter of credit and bills payables	17	9,528,583	10,203,994
Others		198,114	51,727
		9,746,697	10,255,721

16 CASH AND CASH EQUIVALENTS

	30 June 2023 RMB'000	31 December 2022 RMB'000
Cash at bank and on hand	1,491,709	1,341,318

At 30 June 2023, cash and cash equivalents and pledged bank deposits with aggregate amount of RMB11,110,357,000 (31 December 2022: RMB11,423,365,000) were placed with banks in Mainland China. Remittance of funds out of Mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

17 TRADE AND OTHER PAYABLES

	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade and bills payables (i)	12,149,005	11,694,064
Receipts in advance (ii)	121,465	68,010
Other payables and accruals	4,107,202	4,446,040
	16,377,672	16,208,114

- (i) As of the end of the reporting period, the ageing analysis of trade and bills payables based on the invoice date, is as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 6 months	10,310,400	6,305,494
Over 6 months but within 12 months	1,697,381	4,900,926
Over 12 months	141,224	487,644
	12,149,005	11,694,064

- (ii) Receipts in advance mainly represents rental receipts in advance for investment properties.

- (iii) Assets of the Group pledged to secure the bills payables comprise:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Pledged bank deposits	9,528,583	10,203,994
Wealth management products and trust products	–	385,000
	9,528,583	10,588,994

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

18 INTEREST-BEARING BORROWINGS

The analysis of the carrying amount of interest-bearing borrowings is as follows:

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
Current			
Bank loans and loans from other financial institutions	18(a)	5,252,713	3,973,669
Other loans	18(b)	856,947	602,340
Loans from an entity controlled by Ultimate Controlling Party	18(c)	20,000	20,000
Discounted bank acceptance bills	18(d)	4,622,530	8,355,163
		10,752,190	12,951,172
Non-current			
Bank loans and loans from other financial institutions	18(a)	989,900	1,408,600
Other loans	18(b)	3,428,447	3,901,236
		4,418,347	5,309,836
		15,170,537	18,261,008

(a) Bank loans and loans from other financial institutions

At 30 June 2023, the bank loans and loans from other financial institutions were repayable as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 1 year or on demand	5,252,713	3,973,669
After 1 year but within 2 years	512,900	858,600
After 2 years but within 5 years	379,000	459,000
After 5 years	98,000	91,000
	989,900	1,408,600
	6,242,613	5,382,269

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

18 INTEREST-BEARING BORROWINGS (Continued)

(a) Bank loans and loans from other financial institutions (Continued)

- (i) The breakdown of bank loans and loans from other financial institutions were as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Secured/guaranteed	5,233,292	4,357,140
Unsecured	1,009,321	1,025,129
	6,242,613	5,382,269

- (ii) At 30 June 2023, certain bank loans and loans from other financial institutions of RMB23,000,000 (31 December 2022: RMBnil), RMB10,000,000 (31 December 2022: RMB10,000,000) and RMB972,194,000 (31 December 2022: RMB535,123,000) were guaranteed by a third party, related parties and the Group's subsidiaries, respectively. Certain bank loans and loans from other financial institutions of RMB4,228,098,000 (31 December 2022: RMB3,812,017,000) were secured by the following assets of the Group:

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
Pledged bank deposits	15	20,000	—
Other receivables	14	8,000	8,000
Investment properties	8	11,110,848	9,746,465
Investment properties under development	8	594,543	594,543
Properties under development	13	234,188	233,860
Completed properties held for sale	13	193,474	174,276
Property, plant and equipment	9	64,413	99,895
		12,225,466	10,857,039

- (iii) Bank loans and loans from other financial institutions bear interest ranging from 3.65% to 6.50% per annum as at 30 June 2023 (31 December 2022: 3.65% to 6.50% per annum).
- (iv) Certain banking facilities and borrowings of the Group are subject to the fulfilment of covenants relating to: (1) certain of the Group's subsidiaries' statement of financial position ratio; (2) restriction of profit distribution by certain of its subsidiaries; or (3) restriction of providing financial guarantees. These requirements are commonly found in lending arrangements with banks and financial institutions. If the Group was to breach such covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants and communicates with its lenders.

As at 30 June 2023, bank loans and loans from other financial institutions of the Group of RMB1,892,800,000 (31 December 2022: RMB1,323,300,000) were not in compliance with the imposed covenants, of which RMB155,000,000 (31 December 2022: RMB38,900,000) the Group has obtained notices from the corresponding banks and other financial institutions, which confirmed that the respective subsidiaries of the Group would not be regarded as having breached the covenants and the banks and other financial institutions would not demand early repayment from the respective subsidiaries of the Group.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

18 INTEREST-BEARING BORROWINGS (Continued)

(b) Other loans

At 30 June 2023, other loans were repayable as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within one year or on demand	856,947	602,340
After 1 year but within 2 years	850,480	1,963,464
After 2 years but within 5 years	2,577,967	1,937,772
	4,285,394	4,503,576

(i) As at 30 June 2023, other loans were secured as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Secured	–	–
Unsecured	4,285,394	4,503,576
	4,285,394	4,503,576

(ii) Other loans bear interest ranging from 6.00% to 12.00% per annum as at 30 June 2023 (31 December 2022: 6.00% to 12.00% per annum).

(c) Loans from an entity controlled by the ultimate controlling party of the Company ("Ultimate Controlling Party") are unsecured and bear interest of 5.00% per annum as at 30 June 2023.

(d) The Group has discounted bank acceptance bills of RMB4,622,530,000 as at 30 June 2023 (31 December 2022: RMB8,355,163,000). The Group still retains virtually all its risks and rewards, including the risk of default on discounted bank acceptance bills. Therefore, the Group continued to fully recognised the discounted instruments.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS

(a) 2017 Grant of Share Options

Pursuant to an acquisition agreement dated 28 October 2016 entered into by the Company (the "Acquisition Agreement"), the Group has granted a total of 45,667,950 share options under the share option scheme adopted by the Company on 20 June 2011 to certain senior management of Shenzhen Sinoagri ("Shenzhen Sinoagri Management team") at total consideration of HK\$3.00 to subscribe share of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

The terms and conditions of the grants are as follows:

Number of share options	Vesting Conditions	Contractual life of options
	The date of grant of 22 December 2017 to the respective date of the publication of annual report of the Company for the following financial year	The respective date of the publication of annual report of the Company for the following financial year to 21 December 2027
9,133,590	2017	2017
9,133,590	2018	2018
9,133,590	2019	2019
9,133,590	2020	2020
9,133,590	2021	2021
45,667,950		

The number of the options to be exercised after each vesting period is subject to a performance guarantee mechanism and a make-up mechanism with reference to revenue and net profit of Shenzhen Sinoagri for the respective financial year as set out in the said Acquisition Agreement.

The number and weighted average exercise prices of share options are as follows:

	Six months ended 30 June			
	2023 weighted average exercise price	number of options	2022 weighted average exercise price	number of options
Outstanding at the beginning of the period	HKD8.48	45,667,950	HKD8.48	45,667,950
Lapsed during the period	HKD8.48	(30,120,543)	NA	—
Outstanding at the end of the period	HKD8.48	15,547,407	HKD8.48	45,667,950
Exercisable at the end of the period	HKD8.48	15,547,407	HKD8.48	15,547,407

As at 30 June 2023, the remaining contractual life of share option scheme is 4.5 years (31 December 2022: 5 years).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(a) 2017 Grant of Share Options (Continued)

Fair value of share options and assumptions:

The fair value of service received in return of share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial option pricing model. The fair value of each share option at measurement date is HKD3.7179 and the significant inputs into the model are listed as follows:

Share price determined at the measurement date	HKD8.48
Exercise price	HKD8.48
Time to maturity	10 years
Exercise multiple	2.20
Volatility	37.29%
Estimated dividend yields	0%
Risk free rate	1.85%
Pre-vesting exit rate	0%
Post-vesting exit rate	0%

The estimated volatility of share price is calculated based on the statistical analysis of historical volatility of the Company adjusted for any expected changes to future volatility based on publicly available information. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. Changes in the subjective input assumptions could materially affect the fair value estimate.

No expense was recognized in the consolidated statement of profit or loss for six months ended 30 June 2023 and 2022 as performance condition was not satisfied.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(b) 2017 Allotment of Share

Pursuant to the Acquisition Agreement, on 22 December 2017, a total of 8,059,050 share were allotted to Shenzhen Sinoagri Management team. The purposes of the allotment to Shenzhen Sinoagri Management team is to ensure the certainty of benefit and security of the recipients' positions and also allow the Company to continue its business operation with stability.

The allotted shares will be released from lock-up undertakings in 5 equal batches upon the publication of the annual report of the Company for each financial year ended 2017 to 2021. The number of shares to be released in batches is subject to the same performance guarantee mechanism with reference to revenue and net profit of Shenzhen Sinoagri for the respective financial year as set out in the said Acquisition Agreement.

The shares were allotted on 22 December 2017 and movements in the number of shares unreleased for the six months ended 30 June 2023 are as follows:

	Six months ended 30 June	
	2023	2022
Number of Management Shares granted but not yet vested at the beginning of the period	5,315,390	5,315,390
Lapsed during the period	(5,315,390)	–
Number of Management Shares granted but not yet vested at the end of the period	–	5,315,390

The total fair value of the allotted shares amounted to RMB59,175,000. The estimated fair value of the shares on the allotment date is determined by reference to the market price of the Company's shares at that date. No share based payment expenses was recognised for the six months ended 30 June 2023 and 2022.

(c) 2022 Grant of Awarded Shares

During the year ended 31 December 2022, a total of 16,680,000 awarded shares were issued and allotted to certain connected grantees and selected employees of the Group. The grant date is 3 August 2022. The purposes of the awarded shares are to recognise the contribution by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group. For details, please refer to the announcements of the Company dated 9 June 2022 and 3 August 2022.

The total fair value of the awarded shares is amounted to RMB7,061,000, which is determined by reference to the market price of the Company's shares on that date, is recognised in the consolidated statement of profit or loss for the year ended 31 December 2022.

During the six months ended 30 June 2023, no awarded shares were granted, vested, cancelled or lapsed under the Share Award Scheme.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2023 and 2022.

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

No final dividend in respect of the previous financial year was approved or paid during the six months ended 30 June 2023 and 2022.

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so it can continue to provide returns for shareholders and benefits for other stakeholders by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and securities afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as interest-bearing borrowings and lease liabilities less pledged bank deposits and cash and cash equivalents. Adjusted capital comprises all components of equity.

The Group's strategy is to maintain the adjusted net debt-to-capital ratio not exceed 75%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Capital management (Continued)

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods was as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Current liabilities:		
Interest-bearing borrowings	10,752,190	12,951,172
Lease liabilities	6,175	10,828
Non-current liabilities:		
Interest-bearing borrowings	4,418,347	5,309,836
Lease liabilities	17,357	3,132
Total debt	15,194,069	18,274,968
Less: Pledged bank deposits	(9,746,697)	(10,255,721)
Cash and cash equivalents	(1,491,709)	(1,341,318)
Adjusted net debt	3,955,663	6,677,929
Total equity attributable to equity shareholders of the Company	13,782,234	13,752,058
Adjusted net debt-to-capital ratio	28.70%	48.56%

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) 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 market for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using only 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 at 30 June 2023 RMB'000	Fair value measurement as at 30 June 2023 categorised into			Fair value at 31 December 2022 RMB'000	Fair value measurement as at 31 December 2022 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement								
Assets:								
— Listed equity securities	32,222	32,222	-	-	60,413	60,413	-	-
— Wealth management products and trust products	265,267	-	265,267	-	448,899	-	448,899	-
— Forward contracts	447,696	62,441	385,255	-	151,656	70,249	81,407	-
— Contingent consideration	22,746	-	22,746	-	23,824	-	23,824	-
Liabilities								
— Forward contracts	388,504	-	388,504	-	77,380	-	77,380	-

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

As at 31 December 2022, no more consideration shares shall be released for the performance guarantee. However, the Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the contingent consideration, hence it was classified as Level 2 of the fair value hierarchy.

The above change in fair value of contingent consideration is included in "fair value changes on financial assets at FVTPL" in the consolidated income statement.

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 Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Valuation techniques and inputs used in level 2 fair value measurements

The fair value of forward contract is determined under discounted cash flow method.

The fair value of wealth management products and trust products in Level 2 is determined by discounting the estimated future cash flows at risky rate, which is the benchmark interest rate plus the risk premium as at the end of the reporting period.

The fair value of contingent consideration for acquisition of Shenzhen Sinoagri in level 2 is determined by the market price of the shares of the Company at the end of the reporting period.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair value as at 30 June 2023 and 31 December 2022.

22 COMMITMENTS

As at 30 June 2023, the Group's capital commitments in respect of investment properties under development and properties under development are as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Contracted but not provided for in the consolidated financial statements:		
— Capital expenditure in respect of investment properties under development	93,593	102,152
— Expenditure in respect of properties under development	358,839	374,993
	452,432	477,145

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

23 CONTINGENT LIABILITIES

	30 June 2023 RMB'000	31 December 2022 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (i)	148,782	188,417
Other financial guarantee	308,005	331,400
Total maximum guarantees issued	456,787	519,817

- (i) The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyers obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyers.

The directors of the Company consider that it is not probable that the Group will sustain a loss under these guarantees as the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The directors of the Company also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors of the Company.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party informations disclosed elsewhere, the Group and the Company entered into the following material related party transactions.

Ultimate Controlling Party refers to Mr. Yan Zhi. He is the co-chairman, co-chief executive officer and an executive director of the Group.

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors is as follows:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Wages, salaries and other benefits	7,173	11,510
Contributions to defined benefit retirement scheme	305	302
	7,478	11,812

The above remuneration to key management personnel is included in "staff costs" (note 5(b)).

(b) Other transactions with related parties and non-controlling shareholders of subsidiaries

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
(i) Advances from related parties		
— Associates	5,230	50,378
— A joint venture	—	34,406
— Immediate Parent	—	9,782
— Entities controlled by Ultimate Controlling Party	338,527	552
— Key management personnel	598	92
— Entities significantly influenced by Ultimate Controlling Party	19,839	—

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties and non-controlling shareholders of subsidiaries (Continued)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
(ii) Repayment to related parties		
— Associates	3,793	3,965
— A joint venture	—	112
— Entities controlled by Ultimate Controlling Party	4,583	9,725
— Immediate Parent	—	4
— Key management personnel	623	—
— Non-controlling shareholders of subsidiaries	1	—
— Entities significantly influenced by Ultimate Controlling Party	22,263	—

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
(iii) Advances to related parties		
— Associates	422,454	200
— Joint ventures	—	69,460
— Entities controlled by Ultimate Controlling Party	21,026	143,891
— Immediate Parent	—	132,966
— Key management personnel	302	—
— Non-controlling shareholders of subsidiaries	12	5,490
— Entities significantly influenced by Ultimate Controlling Party	10,676	—

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
(iv) Repayment from related parties		
— Associates	220,898	20,315
— Joint ventures	—	87,244
— Entities controlled by Ultimate Controlling Party	23,076	136,148
— Key management personnel	—	900
— Entities controlled by non-controlling interests of subsidiaries	—	3,627
— Non-controlling shareholders of subsidiaries	45,637	863
— Entities significantly influenced by Ultimate Controlling Party	522	—

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
(v) Rental income		
— Entities controlled by Ultimate Controlling Party	557	2,955

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties and non-controlling shareholders of subsidiaries (Continued)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
(vi) Place deposits in — a bank significantly influenced by Ultimate Controlling Party	7,179,892	11,524,965
	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
(vii) Withdraw deposits from — a bank significantly influenced by Ultimate Controlling Party	7,111,217	11,591,250
	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
(viii) Sales of commodities to related parties		
— Associates	3,649	20,684
— An entity controlled by non-controlling interests of subsidiaries	351	3,022
— Entities controlled by Ultimate Controlling Party	853	—
	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
(ix) Purchase of commodities from related parties		
— Associates	132,881	90,623
— Joint ventures	—	3,368
— Entities controlled by non-controlling interests of subsidiaries	450	174
— Non-controlling interests of subsidiaries	—	837
— Entities controlled by Ultimate Controlling Party	942	—

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Other balances with related parties and non-controlling shareholders of subsidiaries

	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade and other receivables		
— Associates (note (i))	29,834	30,152
— Entities significantly influenced by Ultimate Controlling Party	11,076	5,607
— Entities controlled by non-controlling interests of subsidiaries	5,000	5,000
— Entities controlled by Ultimate Controlling Party	405	—
Cash and cash equivalents		
— Entity significantly influenced by Ultimate Controlling Party	86,105	17,431
Interest-bearing borrowings		
— Joint ventures (note (ii))	—	44,887
— Entities controlled by Ultimate Controlling Party	20,000	20,000

Notes:

- (i) Loans advanced to associates as at 30 June 2023 bear interest of 2% (2022: 2%) per annum and are secured by agriculture products.
- (ii) Loan advanced from joint ventures as at 31 December 2022 bear interest of 8.4% per annum.

(d) Amounts due from related parties and non-controlling shareholders of subsidiaries

	30 June 2023 RMB'000	31 December 2022 RMB'000
Amounts due from related parties and non-controlling shareholders of subsidiaries		
— associates	614,436	553,541
— joint ventures	140,661	—
— entities controlled by Ultimate Controlling Party	26,672	28,722
— key management personnel	1,902	1,600
— entities controlled by non-controlling interests of subsidiaries	4,999	4,999
— entities significantly influenced by Ultimate Controlling Party	11,870	1,716
— Non-controlling shareholders of subsidiaries	3,617	49,242
— Ultimate Controlling Party	100	100
	804,257	639,920

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(d) Amounts due from related parties and non-controlling shareholders of subsidiaries (Continued)

The amounts due from related parties are unsecured and repayable on demand.

Amounts due from an associate of RMB614,436,000 as at 30 June 2023 (31 December 2022: RMB553,541,000) bear interest of 8.4% per annum (31 December 2022: 8.4% per annum). Amounts due from a joint venture of RMB140,661,000 as at 30 June 2023 (31 December 2022: RMBnil) bear interest of 5.4% per annum. All the other amounts due from related parties and non-controlling shareholders of subsidiaries are interest-free.

(e) Amounts due to related parties and non-controlling shareholders of subsidiaries

	30 June 2023 RMB'000	31 December 2022 RMB'000
Amounts due to related parties and non-controlling shareholders of subsidiaries		
— associates	1,952	516
— non-controlling shareholders of subsidiaries	482	482
— entities controlled by Ultimate Controlling Party	753,848	419,904
— Ultimate Controlling Party	3,900	3,900
— key management personnel	226	251
— entities significantly influenced by Ultimate Controlling Party	6,954	9,378
	767,362	434,431

All amounts due to related parties and non-controlling shareholders of subsidiaries are interest-free, unsecured and repayable on demand.