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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The Board (the "**Board**") of directors (the "**Directors**") of Zall Smart Commerce Group Ltd. (the "**Company**" or "**Zall Smart**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 as follows:

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2022
(Expressed in Renminbi)

	2022	2021
	RMB'000	*RMB'000*
Revenue	**110,906,215**	104,551,813
Gross profit	**587,425**	885,755
Loss for the year	**(2,981,191)**	(1,450,126)
Loss per share — Basic (RMB cents)	**(24.94)**	(11.27)
— Diluted (RMB cents)	**(24.94)**	(11.27)
Total non-current assets	**25,127,151**	26,094,178
Total current assets	**34,851,903**	27,497,945
Non-current assets classified as held for sale	**380,016**	–
Assets of disposal group held for sale	**–**	5,682,878
Total assets	**60,359,070**	59,275,001
Total non-current liabilities	**9,536,854**	8,868,325
Total current liabilities	**36,634,273**	31,222,568
Liabilities directly associated with non-current assets classified as held for sale	**39,837**	–
Liabilities of disposal group held for sale	**–**	2,404,767
Total liabilities	**46,210,964**	42,495,660
Net assets	**14,148,106**	16,779,341

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Revenue	4(a)	**110,906,215**	104,551,813
Cost of revenue		**(110,318,790)**	(103,666,058)
Gross profit		**587,425**	885,755
Other net income	5	**135,597**	15,224
Selling and distribution expenses		**(209,709)**	(236,369)
Administrative and other expenses		**(520,789)**	(635,550)
Impairment loss under expected credit loss model, net of reversal	6(c)	**(29,136)**	(306,307)
Impairment loss on intangible assets		**–**	(61,738)
Impairment loss on goodwill		**(267,083)**	(333,994)
Net valuation loss on investment properties		**(933,998)**	(240,711)
Net valuation loss on investment properties held for sale		**(5,251)**	–
Net (loss)/gain on disposal of subsidiaries	14	**(1,423,797)**	90,583
Loss from operations		**(2,666,741)**	(823,107)
Finance income	6(a)	**353,367**	223,277
Finance costs	6(a)	**(910,001)**	(1,037,033)
Share of net profits of associates		**1,513**	30,056
Share of net losses of joint ventures		**(835)**	(2,004)
Loss before taxation	6	**(3,222,697)**	(1,608,811)
Income tax credit	7	**241,506**	158,685
Loss for the year		**(2,981,191)**	(1,450,126)
Attributable to:			
Equity shareholders of the Company		**(3,040,264)**	(1,326,854)
Non-controlling interests		**59,073**	(123,272)
Loss for the year		**(2,981,191)**	(1,450,126)
Loss per share (RMB cents)			
Basic	8	**(24.94)**	(11.27)
Diluted	8	**(24.94)**	(11.27)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Expressed in Renminbi)

	2022	2021
	RMB'000	*RMB'000*
Loss for the year	**(2,981,191)**	(1,450,126)
Other comprehensive income/(loss) for the year		
Item that will not be reclassified to profit of loss:		
Change in fair value of equity instruments at fair value through other comprehensive income, net of tax	**–**	(6,527)
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of an associate	**–**	(1,450)
Reclassification of exchange difference on disposal of foreign operation	**–**	4,350
Exchange differences on translation of foreign operation, with nil tax impact	**80,580**	(6,762)
Other comprehensive income/(loss) for the year	**80,580**	(10,389)
Total comprehensive loss for the year	**(2,900,611)**	(1,460,515)
Attributable to:		
Equity shareholders of the Company	**(2,959,684)**	(1,337,243)
Non-controlling interests	**59,073**	(123,272)
Total comprehensive loss for the year	**(2,900,611)**	(1,460,515)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022
(Expressed in Renminbi)

	Note	**2022**	2021
		RMB'000	*RMB'000*
Non-current assets			
Investment properties		**23,475,664**	24,180,965
Property, plant and equipment		**291,524**	278,895
Intangible assets		**444,993**	467,625
Goodwill		**251,498**	518,581
Interests in associates		**194,457**	192,578
Interests in joint ventures		**19,230**	20,065
Contract assets		**30,418**	30,060
Deferred tax assets		**419,367**	405,409
		25,127,151	26,094,178
Current assets			
Financial assets at fair value through profit or loss		**684,792**	1,453,417
Inventories		**4,508,221**	3,803,923
Prepaid taxes		**38,808**	28,730
Trade and other receivables	*10*	**17,383,123**	11,563,191
Amounts due from related parties and non-controlling shareholders of subsidiaries		**639,920**	507,263
Pledged bank deposits		**10,255,721**	9,045,655
Cash and cash equivalents		**1,341,318**	1,095,766
		34,851,903	27,497,945
Non-current assets classified as held for sale	*13*	**380,016**	–
Assets of disposal group held for sale		**–**	5,682,878
		35,231,919	33,180,823

	Note	2022 RMB'000	2021 RMB'000
Current liabilities			
Financial liabilities at fair value through profit or loss		**77,380**	95,149
Trade and other payables	*11*	**16,208,114**	13,637,380
Contract liabilities		**6,453,504**	3,475,656
Lease liabilities		**10,828**	14,307
Amounts due to related parties and non-controlling shareholders of subsidiaries		**434,431**	178,354
Interest-bearing borrowings		**12,951,172**	13,320,148
Current taxation		**498,844**	501,574
		36,634,273	31,222,568
Liabilities directly associated with non-current assets classified as held for sale	*13*	**39,837**	–
Liabilities of disposal group held for sale		**–**	2,404,767
		36,674,110	33,627,335
Net current liabilities		**(1,442,191)**	(446,512)
Total assets less current liabilities		**23,684,960**	25,647,666
Non-current liabilities			
Interest-bearing borrowings		**5,309,836**	4,389,227
Deferred income		**6,105**	8,309
Lease liabilities		**3,132**	6,224
Deferred tax liabilities		**4,217,781**	4,464,565
		9,536,854	8,868,325
NET ASSETS		**14,148,106**	16,779,341
CAPITAL AND RESERVES			
Share capital	*12*	**34,454**	32,733
Reserves		**13,717,604**	16,421,990
Total equity attributable to equity shareholders of the Company		**13,752,058**	16,454,723
Non-controlling interests		**396,048**	324,618
TOTAL EQUITY		**14,148,106**	16,779,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange of Hong Kong**").

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis, except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— financial assets at fair value through profit or loss;

— investment properties, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest;

— derivative financial instruments; and

— contingent considerations recognised in business combinations.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The consolidated financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand. Items included in the consolidated financial statements of each entity in the Group are measured using currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("**functional currency**"). Most of the companies comprising the Group are operating in the People's Republic of China (the "**PRC**") and their functional currency is RMB, hence, RMB is used as the presentation currency of the Group.

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

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

The Group had net current liabilities of approximately RMB1,442,191,000 as at 31 December 2022 and loss for the year of approximately RMB2,981,191,000 for the year then ended. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 expects to generate positive operating cash flows for the next twelve months 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 is actively and regularly reviewing its capital structure, negotiating with banks and other financial institutions for roll-over or re-financing its existing borrowings and will consider raising additional fundings by bank borrowings and by issuing bonds or new shares, where appropriate; and

— as detailed in note 13, the Group has plans to dispose of non-core business and assets to raise additional working capital.

In addition, bank loans and loans from other financial institutions of RMB4,357,140,000 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 31 December 2022. The Group considered it has sufficient collateral to support the roll-over or refinancing of a substantial portion of the existing borrowings to extend the repayment dates to beyond twelve months from the end of the reporting period. 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.

After considering the above, 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 consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to achieve the above plans and measures such that it would not be operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts and to provide for financial liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED STANDARDS

(a) Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[1]

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New and amendments to IFRSs in issue but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group.

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after a date to be determined.

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

4. 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, and providing supply chain management and trading business, financial services, warehousing and logistics services for the online and offline customers in the PRC. Further details regarding the Group's principal activities are disclosed in note 4(b).

(i) Disaggregation of revenue

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

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15:		
Disaggregated by major products or service lines		
— Revenue from sale of properties and related services	**106,751**	261,125
— Revenue from supply chain management and trading business	**110,409,906**	103,607,840
— Revenue from construction contracts	**–**	12,205
— Others	**35,131**	26,808
	110,551,788	103,907,978
Revenue from other sources		
Gross rentals from investment properties		
— Lease payments that are fixed	**240,936**	530,634
Financing income	**87,236**	83,303
Others	**26,255**	29,898
	110,906,215	104,551,813

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographical markets is disclosed in notes 4(b)(i) and 4(b)(iii), respectively.

The Group's customer base is diversified and the Group does not have any single customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2022 (2021: nil).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by mixture of 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-focus 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.

(i) Segment results

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

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 income, finance costs, income tax, and are further adjusted for items not specifically attributed to individual segments, such as share of profits or losses of associates and joint ventures, directors' 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.

Disaggregation of revenue from contracts with customers by the 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 years ended 31 December 2022 and 2021 is set out below.

	Property development and related services		Supply chain management and trading		Total	
	2022	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregation by timing of revenue recognition						
Point in time	**17,819**	154,998	**110,436,161**	103,637,738	**110,453,980**	103,792,736
Over time	**329,868**	648,966	**87,236**	83,303	**417,104**	732,269
Reportable segment revenue	**347,687**	803,964	**110,523,397**	103,721,041	**110,871,084**	104,525,005
Reportable segment profit/(loss)	**20,732**	71,431	**(159,851)**	(302,147)	**(139,119)**	(230,716)
Net valuation loss on investment properties	**(933,998)**	(240,711)	**–**	–	**(933,998)**	(240,711)
Net valuation loss on investment properties held for sale	**(5,251)**	–	**–**	–	**(5,251)**	–
Impairment loss (recognised)/ reversed under expected credit loss model	**(62,010)**	(216,476)	**56,314**	(89,831)	**(5,696)**	(306,307)
Impairment loss on intangible assets	**–**	–	**–**	(61,738)	**–**	(61,738)
Impairment loss on goodwill	**–**	–	**(267,083)**	(333,994)	**(267,083)**	(333,994)
Depreciation and amortisation	**(13,884)**	(17,391)	**(69,685)**	(67,409)	**(83,569)**	(84,800)
Finance income	**7**	2,336	**353,357**	220,834	**353,364**	223,170
Finance costs	**(466,158)**	(689,306)	**(442,862)**	(347,727)	**(909,020)**	(1,037,033)
Share of net (loss)/profits of associates	**–**	–	**(820)**	30,056	**(820)**	30,056
Share of net losses of joint ventures	**–**	–	**(835)**	(2,004)	**(835)**	(2,004)

(ii) ***Reconciliation of reportable segment revenues and profit or loss***

Revenue

	2022	2021
	RMB'000	*RMB'000*
Reportable segment revenue	**110,871,084**	104,525,005
Other revenue	**35,131**	26,808
Consolidated revenue *(note 4(a))*	**110,906,215**	104,551,813

Loss

	2022	2021
	RMB'000	*RMB'000*
Reportable segment loss	**(139,119)**	(230,716)
Other net income	**135,597**	15,224
Net valuation loss on investment properties	**(933,998)**	(240,711)
Net valuation loss on investment properties held for sale	**(5,251)**	–
Net (loss)/gain on disposal of subsidiaries	**(1,423,797)**	90,583
Finance income	**353,364**	223,277
Finance costs	**(909,020)**	(1,037,033)
Share of net (loss)/profits of associates	**(820)**	30,056
Share of net losses of joint ventures	**(835)**	(2,004)
Unallocated head office and corporate expenses	**(298,818)**	(457,487)
Consolidated loss before taxation	**(3,222,697)**	(1,608,811)

(iii) Geographical 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 ("**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**	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**100,497,433**	100,311,253	**24,675,372**	25,651,762
Singapore	**10,408,782**	4,232,643	**1,994**	6,947
Others	**–**	7,917	**–**	–
	110,906,215	104,551,813	**24,677,366**	25,658,709

The analysis above includes property rental income from external customers in the PRC of approximately RMB240,936,000 (2021: RMB530,634,000).

5. OTHER NET INCOME

	2022	2021
	RMB'000	*RMB'000*
Net fair value changes on financial instruments at fair value through profit or loss		
— listed equity securities	**(1,730)**	(42,258)
— wealth management products and trust products	**34,446**	7,287
— forward contracts	**25,549**	20,820
— contingent consideration	**(1,176)**	(54,746)
	57,089	(68,897)
Government subsidies	**41,910**	36,738
Net gain on disposal of associates	**–**	27,514
Others	**36,598**	19,869
	135,597	15,224

6. LOSS BEFORE TAXATION

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

(a) Finance (income)/costs

	2022	2021
	RMB'000	*RMB'000*
Finance income		
Interest income from banks deposits	**(353,367)**	(223,277)
Finance costs		
Interest on interest-bearing borrowings	**714,027**	754,320
Interest on lease liabilities	**418**	1,021
Other borrowing costs	**11,747**	8,746
Less: Amounts capitalised into properties under development and investment properties under development*	**(80,049)**	(31,138)
	646,143	732,949
Bank charges and others	**288,114**	297,119
Net foreign exchange (gain)/loss	**(24,256)**	6,965
	910,001	1,037,033

* The borrowing costs have been capitalised at 5.34%–11.78% per annum for the year ended 31 December 2022 (2021: 5.00%–11.83%).

(b) Staff costs

	2022	2021
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**295,184**	312,119
Contributions to defined contribution retirement plans	**19,384**	20,889
Equity-settled share-based payment expenses recognised/(reversed)	**7,061**	(1,709)
	321,629	331,299

(c) Other items

	2022	2021
	RMB'000	*RMB'000*
Amortisation		
— intangible assets	**46,504**	46,097
Depreciation		
— owned property, plant and equipment	**25,306**	25,458
— right-of-use assets	**12,838**	15,069
Impairment loss recognised/(reversed) under expected credit loss model:		
— trade debtors and bills receivable	**23,898**	27,621
— rental receivables	**(12,681)**	233,122
— loans and factoring receivables	**(42,501)**	(6,756)
— other receivables	**57,672**	21,605
— amounts due from related parties	**–**	29,236
— advance to suppliers	**2,748**	(342)
— contract assets	**–**	1,821
	29,136	306,307
Auditors' remuneration		
— audit services	**4,200**	4,200
Research and development costs (other than amortisation costs)	**22,009**	46,948
Rentals receivable from investment properties less direct outgoings of approximately RMB4,055,000 (2021: RMB10,792,000)	**(236,881)**	(519,842)
Cost of construction contracts	**–**	12,205
Cost of commodities sold	**110,189,548**	103,351,307
Cost of properties sold	**77,188**	145,123

7. INCOME TAX CREDIT

	2022	2021
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax	**30,859**	48,544
PRC Land Appreciate Tax ("**PRC LAT**")	**3,459**	14,166
	34,318	62,710
Over-provision in prior years		
PRC LAT	**(21,494)**	–
Deferred tax		
Origination and reversal of temporary differences	**(254,330)**	(221,395)
	(241,506)	(158,685)

8. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB3,040,264,000 (2021: RMB1,326,854,000) and the weighted average of 12,189,798,000 (2021: 11,777,510,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares (basic)

	2022	2021
	'000	*'000*
Issued ordinary shares at 1 January	**11,782,826**	11,782,826
Effect of shares issued under Management Shares Award Scheme	**(5,316)**	(5,316)
Effect of shares issued under 2022 Shares Award Scheme	**6,261**	–
Effect of issue of shares	**406,027**	–
Weighted average number of ordinary shares at 31 December	**12,189,798**	11,777,510

(b) Diluted loss per share

There were no dilutive ordinary shares issued for the years ended 31 December 2022 and 2021, and therefore, diluted losses per share are the same as the basic losses per share for the years.

9. DIVIDENDS

The Directors do not recommend payment of any dividend for the year ended 31 December 2022 (2021: Nil).

10. TRADE AND OTHER RECEIVABLES

	Note	2022 RMB'000	2021 RMB'000
Trade receivables, net of credit loss allowance	*10(a)*	**8,351,748**	6,199,658
Loans and factoring receivables, net of credit loss allowance	*10(b)*	**966,372**	729,697
		9,318,120	6,929,355
Advances to suppliers		**5,533,980**	3,514,976
Other receivables, deposits and prepayments		**2,531,023**	1,118,860
		17,383,123	11,563,191

Trade and other receivables of the Group included deposits of RMB11,517,000 (2021: RMB20,301,000) which are expected to be recovered or recognised as expense after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis of trade receivables

As at the end of the reporting period, the ageing analysis of trade receivables, based on revenue recognition date and net of credit loss allowance, is as follows:

	2022 RMB'000	2021 RMB'000
Within 6 months	**5,407,412**	6,006,326
6 to 12 months	**2,672,998**	80,337
Over 12 months	**271,338**	112,995
	8,351,748	6,199,658

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 credit loss allowance

	2022	2021
	RMB'000	*RMB'000*
Secured loans receivable, net of credit loss allowance (i)	**827,903**	623,430
Factoring receivables, net of credit loss allowance	**138,469**	106,267
	966,372	729,697

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

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 credit loss allowance, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 6 months	**767,653**	573,587
6 to 12 months	**82,623**	156,110
Over 12 months	**116,096**	–
	966,372	729,697

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

11. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade and bills payables (i)	**11,694,064**	9,579,082
Receipts in advance (ii)	**68,010**	61,696
Other payables and accruals	**4,446,040**	3,996,602
	16,208,114	13,637,380

The amount of deposits that would be settled after more than one year is RMB6,609,000 (2021: RMB23,696,000). All the other trade and other payables are expected to be settled within one year or repayable on demand.

(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:

	2022	2021
	RMB'000	*RMB'000*
Within 6 months	**6,305,494**	3,326,592
6 to 12 months	**4,900,926**	5,190,285
Over 12 months	**487,644**	1,062,205
	11,694,064	9,579,082

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

12. SHARE CAPITAL

Share capital

	2022		2021	
	Number of shares	**Amount**	Number of shares	Amount
	('000)	***HK$'000***	*('000)*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.00333 each	**24,000,000**	**80,000**	24,000,000	80,000
Ordinary shares, issued and fully paid:				
At 1 January	**11,782,826**	**39,275**	11,782,826	39,275
Issuance of new shares (note (i))	**600,000**	**1,998**	–	–
Share issued under 2022 Shares Award Scheme (note (ii))	**16,680**	**56**	–	–
At 31 December	**12,399,506**	**41,329**	11,782,826	39,275
		RMB'000		*RMB'000*
Shown on the consolidated financial statements		**34,454**		32,733

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes:

(i) On 18 January 2022, the Company entered into a subscription agreement (the "**Subscription Agreement**") with Zall Holdings Company Limited ("**Zall Holdings**"), a company wholly owned by Mr. Yan Zhi, executive director the Company, which was incorporated in the British Virgin Islands with limited liability. Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and Zall Holdings has conditionally agreed to subscribe for, 600,000,000 subscription shares in cash under the specific mandate at the subscription price of HK$0.50 per subscription share for an aggregate consideration of HK$300,000,000. Such subscription was completed on 28 April 2022. For details, please refer to the Company's announcements dated 18 January 2022, 11 March 2022 and 28 April 2022 and the Company's circular dated 18 March 2022.

(ii) On 9 June 2022, the Board and the Administration Committee have resolved to grant a total of 18,180,000 Awarded Shares to 93 Selected Employees pursuant to the Share Award Scheme adopted on 10 December 2021. An EGM was held on 3 August 2022 and the ordinary resolutions relating to approving the grant of 5,700,000 Connected Awarded Shares to 12 Connected Grantees were duly passed by the Independent Shareholders. A total of 16,680,000 Awarded Shares were issued and allotted to the Trustee on 16 August 2022. For details, please refer to the announcements dated 9 June 2022 and 3 August 2022 and the circular dated 15 July 2022 of the Company.

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE

As at 31 December 2022, the board of directors had identified potential buyers and entered into letters of intent on disposal of assets with these potential buyers. Such assets are available for immediate sale in its present condition and the Directors considered that the disposal of the assets was highly probable as at 31 December 2022 and could be completed within one year. Accordingly, assets and liabilities of these non-current assets are presented as held for sale. The Group received deposits from these potential buyers of approximately RMB58,000,000 in January 2023.

As at 31 December 2022, the non-current assets classified as held for sale and the liabilities directly associated with such assets are as follows:

	2022 ***RMB'000***
Investment properties (note (i))	**374,675**
Property, plant and equipment	**5,341**
Non-current assets classified as held for sale	**380,016**
Deferred tax liabilities	**39,837**
Liabilities associated with non-current assets classified as held for sale	**39,837**

Note:

(i) At 31 December 2022, the Group's investment properties under assets classified as held for sale were revalued. A net valuation loss of approximately RMB5,251,000 were recognised.

No impairment loss was recognised on reclassification of the above assets as held for sale as at 31 December 2022 as the Directors expected that the fair value less cost to sell was higher than the carrying amount of these assets.

14 DISPOSAL OF SUBSIDIARIES

(a) For the year ended 31 December 2022

On 30 December 2022, the Group entered into an equity transfer agreement with an independent third party in relation to the disposal of entire equity interest of 卓爾發展(天津)有限公司 ("**Zall Development Tianjin**") and its subsidiaries at a consideration of RMB1,001 million. Its principal business activity is property development and the related services. The disposal was completed in December 2022. Details of the disposal are set out in the Company's announcement dated 30 December 2022. The Group recognised a net loss of RMB1,423,797,000 on the disposal, which is calculated as follows:

	RMB'000
Consideration, satisfied in cash	**1,001,000**
Less: net assets disposed	**(2,424,797)**
Loss on disposal of subsidiaries	**(1,423,797)**
Satisfied by:	
Cash consideration	**948,200**
Consideration receivable	**52,800**
	1,001,000

An analysis of the net inflow arising from disposal:

Cash consideration received	**948,200**
Less: cash and cash equivalents disposed of	**(388)**
	947,812

(b) For the year ended 31 December 2021, please refer to note 35 to the consolidated financial statements as included in the 2021 annual report published.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the Independent Auditor's Report from the auditor of the Company, Baker Tilly Hong Kong Limited:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which indicates that the Group had net current liabilities of approximately RMB1,442,191,000 as at 31 December 2022 and loss for the year of approximately RMB2,981,191,000 for the year then ended. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion with an emphasis of matter paragraph relating to material uncertainty related to going concern on those statements on 29 April 2022.

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 and Automobile Town. This year, "accelerate the construction of North Hankou and other e-commerce live streaming clusters" "promote the optimisation and upgrading of North Hankou commodity market" and "organize a successful Wuhan Commodities Fair" were included in the 2022 government working report of Wuhan City. "Wuhan Commodities Fair" was even included in the 2022 government working report of Hubei Province and the report of the 12th National Party Congress of Hubei Province.

In 2022, North Hankou promoted the integration of online and offline operations by creating the first live broadcast town in Central China. The Group's subsidiary, Zallgo Information Technology (Wuhan) Co., Ltd. (卓爾購信息科技(武漢)有限公司) ("**Zallgo**"), as the operator of North Hankou Live Broadcast Base, has completed the ecological construction of the base. It provides a series of services including professional training, host incubation, live broadcast agency services, warehousing and logistics, and supply chain matchmaking to establish the new business model of "e-commerce live broadcast+", driving the transformation and upgrading of merchants. Along with Douyin's Wuhan e-commerce live broadcast base and Kuaishou's high-quality service providers landed in North Hankou, more than 200 shared live broadcast rooms and 60 flagship live broadcast rooms have been built in North Hankou Live Broadcast Base, together with a selection hall of 10,000 square metres for live broadcast e-commerce products. In January 2022, North Hankou held an online and offline New Year shopping festival in collaboration with 30 large clusters of specialized markets covering a full range of categories including snacks, cosmetics, footwear and hats, clothing, daily necessities, non-staple food and fresh food, etc., and invited famous hosts to promote products through live broadcast, which enabled more value-for-money Spring Festival products to reach the whole country. In April, the Hubei section of the 4th "Brand and Quality Online Shopping Festival cum Quality African Products Online Shopping Festival" unveiled in North Hankou Live Broadcast Base, where great African products and quality products in Hubei Province were marketed through live broadcast platforms such as Douyin and Kuaishou. During the "618 Shopping Festival", the gross merchandise volume ("**GMV**") of merchants served by Douyin's Wuhan e-commerce live broadcast base exceeded RMB330 million, with nearly 30 stores recording a month-on-month growth of over 100% in GMV. In December, the Flower Auction and Trading Centre of Dounan Flower City, North Hankou Automotive Auction and Trading Centre, and Aquatic Products Auction and Trading Centre were put into operation simultaneously, introducing the auction business to revamp the trade mechanism. During the reporting period, three live shows, namely the fashion show, life show and style show, were launched in North Hankou Footware City, Small Commodities City and Garment City, respectively, which empowered merchants to accelerate their transformation and upgrading.

In 2022, North Hankou promoted the integration of domestic and foreign trade by building an demonstrative zone for domestic and foreign trade integration. In November 2022, North Hankou International Trade Centre made its second appearance at the China International Import Expo to demonstrate the world the vigour and new look of the business and trade industry of Wuhan, Hubei. In December 2022, the Exhibition Centre of Hubei National Foreign Trade Transformation and Upgrading Base was officially opened at the Hubei Foreign Trade Industry Hall in North Hankou. Twenty high-quality foreign trade industry bases from 11 cities and prefectures in the province were ceremoniously presented to nearly 30 ambassadors from 16 countries in China. During the reporting period, total import and export amount of North Hankou reached approximately RMB29.5 billion, an increase of approximately 29% compared with that from last year.

Meanwhile, North Hankou promoted the integration of wholesale and experiential consumption by building a commercial block with the characteristics of Hubei Province. In May 2022, the North Hankou Universal Town featuring global customs and import distribution and the North Hankou Carnival Theme Park focusing on the parent-child economy were officially opened, enabling the new consumption demand of "sightseeing, shopping, entertainment and procurement" to be met all at once in North Hankou. In July 2022, Hankou Town, Universal Town and Carnival Park were used as the venues to launch night-time consumption activities under the theme of "Coming to Hankou North for your Cool and Colourful Hankou Nights". Focusing on four major sectors, namely night-time shopping, dining, entertainment and tourism, these activities were designed to develop the night economy and create a night-time consumption cluster in Hubei Province. In December 2022, North Hankou Flower Town, Flavour Town, Automobile Town and other experiential specialized commercial towns were opened simultaneously. Linking to the source of the supply chain, these towns together created Central China Dounan Flower City, the largest comprehensive flower industry trading base in Central China.

North Hankou is also committed to promoting the integrated development of large-scale trade fairs and physical markets by creating an important open platform for the province. The "2022 Global Digital Trade Conference" and "Wuhan (North Hankou) Commodity Fair" were held in North Hankou from 28 December 2022 to 7 January 2023. Organised by the People's Government of Hubei Province, the conference 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. During the conference, nationally renowned supply chains of seafood, flowers and seedlings, grain, oil and non-staple food, imported foodstuffs and other new consumer products settled in North Hankou; the live streaming platform "Zall Select" was successfully launched and it opened its first flagship shop, which delved into the source of the supply chain to select fashionable lifestyle brands for customers; around 200 Guangdong brand apparel enterprises signed contracts to establish or set up marketing practice and showrooms, as well as warehousing and logistics centres in North Hankou; Exhibition Centre of Hubei National Foreign Trade Transformation and Upgrading Base was officially opened at the Hubei Foreign Trade Industry Hall in North Hankou; the Theme Forum of National Digital Trade Conference, the Cross border Industrial Internet Summit cum the 2022 Night of Qianfeng were held; and a succession of 103 specialized sourcing events, including the North Hankou Hotel Supplies Expo, the Stationery Expo, the Curtain Order Fair and the "Shining Star" Live Broadcast Festival, were held.

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**") of the Group continued to vigorously develop business along the entire industry chain, focusing on the steady development of its core segments. During the reporting period, it recorded an operating revenue of RMB43.0 billion. During the reporting period, although boosted by the rise in international sugar prices, domestic sugar prices were range-bound due to factors such as the scattered resurgence of COVID-19. The spot market was generally weaker than the previous year. In terms of the sugar segment, we took Mutian Mall as the carrier, rationally secured sugar sources in advance, and launched different business modules for different customer groups. We built service teams in Chengdu, Changsha, Wuhan and other cities, and expanded business coverage through the "City Partner" model. Mutian Mall added 1,337 new registered users, 821 of which were converted into paying customers, representing a conversion rate of approximately 62%. The mall recorded a year-on-year growth of approximately 85% in trading volume, thus effectively achieved scale expansion, enhanced core competitiveness, and built competition barriers. Meanwhile, the rural revitalization business team went deep into the front line of agricultural planting to create agricultural business scenarios in an orderly manner by focusing on the agricultural industry chain, and explored and innovated a new model of industry revitalization and rural digital services through "industry big data + digital order transactions + supply chain finance + smart agriculture". This helps to empower the upstream enterprises of the industry and lay a solid foundation for agriculture-related business for the deployment of rural revitalization. During the reporting period, Shenzhen Sinoagri actively established cooperation with 29 financial institutions, iteratively upgraded existing financial products and continuously expanded product lines. More than 500 customers obtained over RMB3.0 billion of industrial and financial service support from banks and other financial institutions through Shenzhen Sinoagri. Shenzhen Sinoagri adheres to being customer-oriented, continuously optimizes and iterates Mutian Mall, Zhongnonghui, CRM system, and credit factory on the basis of the original business to accelerate business development. In terms of the feed segment, through technology and model innovation, the "Pig Feast" marketing campaign was tailored to moderate-scale farm customers, with its business covering 18 provinces, and the number of cooperating farmers reaching 405. The number of new customers in the trade of feed raw materials was 218, representing a year-on-year increase of approximately 179.5%. Feed production and processing projects have also made new progress. In particular, the Lanzhou project has finished registration, construction, completion and entered the production preparation stage this year, while the Beihai project has completed the construction of the main part of the project and met the production conditions.

In addition, the silk spinning, coffee and pepper businesses of Shenzhen Sinoagri also grew at a faster pace. During the reporting period, the new cloud factory of the silk spinning business was put into construction to build a lean supply chain management and market delivery system covering raw materials, production and distribution, and silk textile fabrics. As to coffee business, in addition to continuing to improve the domestic and foreign supply chain system, we explored a new model of self-developed coffee brands. As to pepper business, we established a new joint venture at the end of the year, representing the start of a self-owned production capacity construction project, gradually realizing the Company's strategic deployment in the condiment industry chain, and accelerating the pace of the Company's extensive development.

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 2022, a COVID-19 outbreak hit Shanghai, resulting in two months of city-wide lockdown that required citizens to work from home. In this context, HSH timely addressed the purchase and sales needs of downstream processing enterprises by applying digital technologies, including using flexible and practical mobile terminals (apps, applets, etc.), and accessed the resources of upstream players with a self-developed SaaS system to expand logistics channels, thus achieving efficient operation and maintaining a steady growth in performance. Moreover, HSH further consolidated its pipeline business, leveraged the value of data to increase supply chain financial support for small and micro enterprises. It provides indicative sale and purchase prices for business departments by using a professional analysis team to analyse the price trends of each major commodity. Business departments trade according to market situation to minimize decision-making risks. As of 31 December 2022, the HSH platform had a total of 49,203 customers, and it recorded an operating revenue of approximately RMB22.0 billion, representing a year-on-year increase of approximately 23%, mainly contributed by the increase in the sales volume of petroleum benzene and pure benzene, as well as the development of new varieties.

In the ferrous commodities sector, 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. In the first half of 2022, as COVID-19 broke out again in Shanghai and other places across China, Zall Steel took the lead in adopting the model of "ensuring supply online and offline". For offline support, it united 28 service hubs across China and mobilised an in-house professional team to be on standby for 7x24 support. For online support, it helped upstream and downstream enterprises maintain normal operations and management through "software + supply chain services", and cooperated with financial institutions to constantly diversify and optimise the "multi-bank, multiproduct" supply chain service supermarket, which enabled online rendering of supply chain financial services to better solve financial problems for enterprises under the COVID-19 pandemic. Moreover, it continued to provide accurate, efficient and customized terminal distribution services for large-scale infrastructure and livelihood projects such as the Sichuan-Tibet Railway Phase III Project, Suining Chengnan Expressway, and Xi'an High-speed Railway Station Hub Project, thereby effectively ensuring the orderly supply of steel materials for the construction of national key projects. 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. In the meantime, Zall Steel further optimised its multi-dimensional and integrated smart warehousing and logistics system, enhanced capabilities in warehousing and distribution operations, and provided intelligent, visualized and efficient online services for all players in the industry chain. By making electronic warehouse receipts and adopting paperless delivery, it avoided close contact between people for epidemic prevention and control, and reduced the use of paper materials to facilitate the green development of the industry. The campaign of "ensuring supply online and offline" initiated by Zall Steel attracted much attention from and was widely reported by China Steel Construction Society, China National Association of Metal Material Trade, and mainstream media including China Daily, Huanqiu.com, Jiemian News, 10000link.com, etc. As at the end of 2022, Zall Steel has established 28 trading service centres across China, covering more than 300 cities in 32 provinces, and serving more than 60,000 members. With a total warehouse capacity of 5 million tons, these centres provided terminal services for 158 large-scale livelihood engineering and manufacturing projects. During the Reporting Period, despite the weak supply and demand performance of the broader steel industry chain, worsened liquidity, and declining market price due to the pandemic and fluctuations in the real estate market, Zall Steel still achieved operating revenue of approximately RMB22 billion and received a number of honours such as "Top 500 Private Enterprises of China", "Excellent Model Enterprise of Supply Chain Innovation and Application of Shanghai" and "Top 10 on the Top 100 List of Industrial Internet in 2022".

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. As of December 2022, the CIC platform had 14,233 registered users, with a total GMV of nearly US$18 billion. The main product categories traded include coal, concentrate mixture, nickel ore, copper ore, iron ore and electrolytic copper. To ensure the successful delivery of supply chain financial services, CIC endeavoured to diversify financing channels, continuously enhanced e-finance services and provided effective risk management, offered new solutions for international e-finance services, reduced costs, broadened channels, improved transaction efficiency, and promoted the development of international trade. CIC achieved an operating revenue of approximately RMB10.4 billion for the year ended 31 December 2022. In addition to conducting feasibility study on dual-carbon economy, CIC further penetrated into the Southeast Asian market by providing marketing support for its digital product Trade Datapro through SEO and SEM optimisation of the platform. Since its launch in 2019, such product has received orders from customers all over the world, including Singapore, Indonesia, Japan, Malaysia, Vietnam, Korea, the United States, and Turkey. The click-through rate of the product increased fourfold compared to last year, and its global market share continued to expand.

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 ecosphere 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.

INVESTMENT PORTFOLIO

The portfolio of listed equity investments of the Group as at 31 December 2022 and 31 December 2021 were as follows:

As at 31 December 2022

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

As at 31 December 2021

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost	Carrying amount as at 31 December 2021	Unrealised holding loss arising on revaluation for the year ended 31 December 2021	Dividend received for the year ended 31 December 2021
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
00607.HKEX	Fullshare	590,962,500	3.00%	620,157	52,666	39,779	–

The performance and prospects of the listed equity investments during the year are as follows:

As at 31 December 2022, the Group held 590,962,500 (31 December 2021: 590,962,500) shares in Fullshare, representing approximately 2.2% of its entire issued share capital (31 December 2021: approximately 3.0%). Fullshare is listed on the main board of the Stock Exchange of Hong Kong Limited. Its principal activities are property development, tourism, investment, provision of healthcare products and services business and new energy business. The Group recognised an unrealised holding loss of approximately RMB2.7 million for the year ended 31 December 2022 (31 December 2021: approximately RMB39.8 million). The carrying amount of investment in Fullshare accounts for approximately 0.09% of the Group's total assets as at 31 December 2022 (31 December 2021: approximately 0.09%). The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

Results of Operation

Revenue

Revenue of the Group increased by approximately 6.1% from approximately RMB104,551.8 million for the year ended 31 December 2021 to approximately RMB110,906.2 million for the year ended 31 December 2022. The increase was primarily due to the offsetting effect of (i) the increase in revenue from supply chain management and trading business; (ii) the decrease in rental income; and (iii) the decrease in revenue from sales of properties and related services.

Revenue from supply chain management and trading business

The Group's revenue from supply chain management and trading business has contributed approximately 99.6% of the Group's total revenue for the year ended 31 December 2022. For the year ended 31 December 2022, the Group's revenue from supply chain management and trading business was approximately RMB110,409.9 million (2021: approximately RMB103,607.8 million). The increase in revenue from supply chain management and trading business was primarily attributable to the Group's continuous expansion in business scale.

Rental income from investment properties

The Group's rental income from investment properties decreased by approximately 54.6% from approximately RMB530.6 million for the year ended 31 December 2021 to approximately RMB240.9 million for the year ended 31 December 2022. The decrease was primarily due to termination of lease contracts by some tenants as influenced by the COVID-19 pandemic.

Revenue from financing income

The Group's financing income increased by approximately 4.7% from approximately RMB83.3 million for the year ended 31 December 2021 to approximately RMB87.2 million for the year ended 31 December 2022. The increase was mainly due to increase in supply chain financing income from Shenzhen Sinoagri.

Sales of properties and related services

Revenue from sales of properties and related services decreased by approximately 59.1% from approximately RMB261.1 million for the year ended 31 December 2021 to approximately RMB106.8 million for the year ended 31 December 2022.

The Group's revenue from sales of properties was attributed to the sales of retail shops and auxiliary facilities units. The decrease in revenue from sales of properties was mainly attributed to the decrease in the gross floor area delivered in 2022.

Cost of revenue

For the year ended 31 December 2022, cost of revenue of the Group was approximately RMB110,318.8 million (2021: approximately RMB103,666.1 million). The total cost of revenue of the Group increased accordingly as the revenue increased.

Gross profit

Gross profit of the Group decreased by approximately 33.7% from approximately RMB885.8 million for the year ended 31 December 2021 to approximately RMB587.4 million for the year ended 31 December 2022. The Group's gross profit margin decreased from approximately 0.85% for the year ended 31 December 2021 to approximately 0.53% for the year ended 31 December 2022, which is mainly because during the year the supply chain management and trading business with lower gross profit margin increased while the rental income and the revenue from sales of properties and related services with higher gross profit margin decreased.

Other net income

Other net income of the Group increased from approximately RMB15.2 million for the year ended 31 December 2021 to approximately RMB135.6 million for the year ended 31 December 2022. The increase was mainly due to (i) a decrease in fair value loss on listed equity securities of approximately RMB40.5 million; (ii) an increase in fair value gain on wealth management products and trust products of approximately RMB27.2 million; and (iii) the decrease in fair value loss on contingent consideration of approximately RMB53.6 million.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased by approximately 11.3% from approximately RMB236.4 million for the year ended 31 December 2021 to approximately RMB209.7 million for the year ended 31 December 2022. The decrease was primarily due to (i) a decrease in logistics and handling fees of approximately RMB6.2 million; (ii) a decrease in office utilities and management fees of approximately RMB13.2 million; and (iii) a decrease in promotion cost of approximately RMB6.3 million.

Administrative and other expenses

Administrative and other expenses of the Group decreased by approximately 18.1% from approximately RMB635.6 million for the year ended 31 December 2021 to approximately RMB520.8 million for the year ended 31 December 2022. The decrease was mainly due to (i) a decrease in other taxes of approximately RMB34.6 million; and (ii) a decrease in staff cost, depreciation and amortisation and research expenses of approximately RMB56.8 million.

Impairment loss under expected credit loss model, net of reversal

The impairment loss under expected credit loss model, net of reversal of the Group for the year ended 31 December 2022 was approximately RMB29.1 million (2021: approximately RMB306.3 million). The impairment loss recognised in 2021 was mainly due to the collection of rentals receivables was not as expected as a result of the outbreak of COVID-19 pandemic.

Impairment loss on intangible assets and goodwill

The Group recorded impairment loss on intangible assets and goodwill amounted to nil and approximately RMB267.1 million respectively for the year ended 31 December 2022 (2021: approximately RMB61.7 million and approximately RMB334.0 million respectively). The recognition of impairment loss on goodwill was mainly caused by the fact that the financial performance of Shenzhen Sinoagri of the Group in the financial year of 2022 was worse than expected.

Net valuation loss on investment properties

The Group recorded a net valuation loss on investment properties which amounted to approximately RMB934.0 million for the year ended 31 December 2022 (2021: approximately RMB240.7 million). The net valuation loss on investment properties was mainly due to a net fair value loss recognised on the revaluation of investment properties located at North Hankou. The said net fair value loss was attributable to a decrease in rental income triggered by the termination of lease contracts by some tenants affected by the COVID-19 pandemic. The Group will closely monitor the performance of its investment and adjust its investment plan when necessary.

Net (loss)/gain on disposal of subsidiaries

The Group recorded net loss on disposal of subsidiaries of approximately RMB1,423.8 million (2021: net gain of approximately RMB90.6 million) for the year ended 31 December 2022. The recognition of net loss during the year was attributable to the disposal of the entire equity interest of Zall Development (Tianjin) Co., Ltd.

Share of net profits of associates

Share of net profits of associates of the Group for the year ended 31 December 2022 was approximately RMB1.5 million (2021: approximately RMB30.1 million). The decrease was mainly due to the disposal of the Group's major associate, LightInTheBox Holding Co., Ltd., in the second half of 2021 and that there was not any recognition of net profits of similar scale in 2022.

Finance income and costs

Finance income of the Group increased by approximately 58.3% from approximately RMB223.3 million for the year ended 31 December 2021 to approximately RMB353.4 million for the year ended 31 December 2022. The increase was mainly due to an increase of interest income from fixed deposits.

Finance costs of the Group decreased by approximately 12.3% from approximately RMB1,037.0 million for the year ended 31 December 2021 to approximately RMB910.0 million for the year ended 31 December 2022. The decrease was mainly due to a decrease in interest expense on interest-bearing borrowings of approximately RMB40.3 million and an increase in the amount capitalised into properties under development and investment properties under development of approximately RMB48.9 million.

Income tax credit

For the year ended 31 December 2022, income tax credit was approximately RMB241.5 million (2021: approximately RMB158.7 million). The increase in income tax credit was mainly due to the recognition of deferred tax income credit as a result of the net valuation loss on investment properties and impairment loss on goodwill recognised in 2022.

Loss for the year

For the year ended 31 December 2022, the Group recorded a net loss of approximately RMB2,981.2 million (2021: loss of approximately RMB1,450.1 million). For the year ended 31 December 2022, loss attributable to equity shareholders of the Company was approximately RMB3,040.3 million (2021: loss of approximately RMB1,326.9 million).

Liquidity and capital resources

As at 31 December 2022, the Group had net current liabilities of approximately RMB1,442.2 million (31 December 2021: approximately RMB446.5 million) and net assets of approximately RMB14,148.1 million (31 December 2021: approximately RMB16,779.3 million). Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position, which includes (i) the Group expects to generate positive operating cash flows for the next twelve months 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; (ii) the Group is actively and regularly reviewing its capital structure, negotiating with banks and other financial institutions for roll-over or re-financing its existing borrowings and will consider raising additional fundings by bank borrowings and by issuing bonds or new shares, where appropriate; and (iii) the Group has plans to dispose of non-core business and assets to raise additional working capital. As at 31 December 2022, the total equity attributable to equity shareholders of the Company amounted to approximately RMB13,752.1 million (31 December 2021: approximately RMB16,454.7 million), comprising issued capital of approximately RMB34.5 million (31 December 2021: approximately RMB32.7 million) and reserves of approximately RMB13,717.6 million (31 December 2021: approximately RMB16,422.0 million).

Cash position

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 31 December 2022, the Group's cash and cash equivalents amounted to approximately RMB1,341.3 million (31 December 2021: approximately RMB1,095.8 million). The Group's level of cash and cash equivalents has remained stable. The Group regularly and closely monitors its funding and treasury position to meet the funding needs of the Group.

Interest-bearing borrowings

The Group's total interest-bearing borrowings increased by approximately 3.1% from approximately RMB17,709.4 million as at 31 December 2021 to approximately RMB18,261.0 million as at 31 December 2022. Majority of the loans were denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Details of the interest rates during the year ended 31 December 2022 are set out in note 6(a) of the consolidated financial statements in this announcement.

Net gearing ratio

The Group's net gearing ratio increased from 46.1% as at 31 December 2021 to 48.6% as at 31 December 2022. 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 that any future exchange rate fluctuation will not have any material effect on the Group's business. As at 31 December 2022, 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.

Charge on assets

As at 31 December 2022, the Group had pledged certain of its assets with a total book value of approximately RMB19,212.2 million (31 December 2021: approximately RMB22,846.4 million) and a total book value of approximately RMB10,589.0 million (31 December 2021: approximately RMB10,013.1 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

On 30 December 2022, Zall Smart Commerce Group Co., Ltd* (卓爾智聯集團有限公司, "**Zall Smart Wuhan**"), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Wuhan Huashang Shidai Group Co., Ltd.* (武漢華商時代集團有限公司, "**Huashang Shidai**"), a company established under the laws of the PRC with limited liability, pursuant to which Zall Smart Wuhan agreed to sell, and Huashang Shidai agreed to purchase, the entire equity interest in Zall Development (Tianjin) Co., Ltd.* (卓爾發展(天津)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, at a consideration of RMB1,001.0 million. For details, please refer to the Company's announcements dated 30 December 2022 and 4 January 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.

Segment reporting

Details of the segment reporting of the Group for the year ended 31 December 2022 are set out in note 4(b) of the consolidated financial statements in this announcement.

Contingent liabilities

In accordance with the 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 a 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 buyers obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyers. As at 31 December 2022, the guarantees in relation to mortgage facilities granted to purchasers of the Group's properties amounted to approximately RMB188.4 million (31 December 2021: approximately RMB309.3 million).

As at 31 December 2022, the Group provided a financial guarantee to third parties of approximately RMB331.4 million (31 December 2021: approximately RMB170.0 million). For details, please refer to the announcement of the Company dated 30 December 2022.

CHANGES IN ACCOUNTING POLICIES

For details of change in accounting policies, please refer to note 3 to the consolidated financial statements of the Company in this announcement.

EVENTS AFTER REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group employed a total of 1,615 full time employees (2021: 1,825). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2022, the employees benefit expenses were approximately RMB321.6 million (2021: approximately RMB331.3 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as shares and options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

The Group has 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. In relation to the Share Option Scheme, 45,667,950 share options were outstanding as at 31 December 2022. The Share Option Scheme has expired on 20 June 2021. The Company has approved and adopted a new 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 31 December 2022, no share options have been granted under the new share option scheme.

The Group has also adopted a share award scheme (the "**Share Award Scheme**") 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.

The Company entrusted an independent trustee appointed by the Board to hold the shares awarded by the administration committee under the Share Award Scheme (the "**Awarded Shares**") on behalf of the relevant eligible employees approved for participation in the Share Award Scheme (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. As at 31 December 2022, 16,680,000 Awarded Shares have been granted under the Share Award Scheme.

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 Listing Rules as its corporate governance code of practices. In the opinion of the Board, the Company had complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2022.

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 year ended 31 December 2022. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code for the year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE AND REVIEW OF THE AUDITED ANNUAL RESULTS

The audit committee of the Company (the "**Audit Committee**") has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules 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 fulfill its responsibilities over the 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 Audit Committee has reviewed the Company's audited consolidated financial statements for the year ended 31 December 2022 which have been agreed by the auditors of the Company, and is of the view that the Group's audited consolidated financial statements for the year ended 31 December 2022 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

The Audit Committee has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and risk and management systems and financial reporting matters of the Group.

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's independent auditor, Baker Tilly Hong Kong Limited ("**Baker Tilly HK**"), which is consistent with the figures set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by Baker Tilly HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Baker Tilly HK on this preliminary announcement of results.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2022 (2021: nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Thursday, 25 May 2023. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS TO ASCERTAIN SHAREHOLDERS' ENTITLEMENT TO ATTEND AND VOTE AT THE AGM

In order to determine who are eligible to attend and vote at the AGM, the Company's register of members will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to be qualified to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Friday, 19 May 2023.

PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the Company's website at http://www.zallcn.com. The annual report for the year ended 31 December 2022 of the Group containing all the information required by the Listing Rules is expected to be published on the same websites and be dispatched to the shareholders of the Company in due course.

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

Hong Kong, 31 March 2023

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