

**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.HK

2020

線下市場  
科技  
供應鏈管理  
金融  
交易  
物流  
會諸

Annual Report 2020



## About ZALL SMART COMMERCE GROUP LTD.

The Group constructs and operates B2B trading platforms for consumer goods, agricultural products, chemicals, plastic raw materials, black and non-ferrous metals, etc., and provides services such as finance, property, logistics, cross-border trading and supply chain management based on the trading scenario and transaction data. The Group also develops and operates large-scale consumer-product-focused wholesale shopping malls.

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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Yan Zhi  
(Co-Chairman and Co-Chief Executive Officer)  
Dr. Gang Yu (Co-Chairman)  
Mr. Wei Zhe, David  
Mr. Qi Zhiping (Co-Chief Executive Officer)  
Mr. Cui Jinfeng (resigned on 15 September 2020)  
Ms. Min Xueqin

### 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, 21/F  
Two Exchange Square  
Central  
Hong Kong

## AUDIT COMMITTEE

Mr. Cheung Ka Fai (Chairman)  
Mr. Wu Ying  
Mr. Zhu Zhengfu

## NOMINATION COMMITTEE

Mr. Wu Ying (Chairman)  
Mr. Yan Zhi  
Mr. Cheung Ka Fai

## REMUNERATION COMMITTEE

Mr. Zhu Zhengfu (Chairman)  
Mr. Qi Zhiping  
Mr. Wu Ying

## RISK MANAGEMENT COMMITTEE

Mr. Zhu Zhengfu (Chairman)  
Mr. Cui Jinfeng (resigned on 15 September 2020)  
Mr. Cheung Ka Fai  
Ms. Min Xueqin (appointed on 15 September 2020)

## COMPANY SECRETARY

Ms. Foo Man Yee, Carina

## COMPANY WEBSITE

<http://www.zallcn.com/>

## AUTHORIZED REPRESENTATIVES

Mr. Cui Jinfeng (resigned on 15 September 2020)  
Ms. Foo Man Yee, Carina  
Ms. Min Xueqin (appointed on 15 September 2020)

## HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
Level 54  
Hopewell Centre  
183 Queen's Road East  
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 ADVISOR

P. C. Woo & Co.  
Sidley Austin

## AUDITORS

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

## PRINCIPAL BANKERS

China Construction Bank  
China Mingsheng Bank  
China Resources Bank of Zhuhai  
China Everbright Bank

# Financial Highlights

	2020 RMB'000	2019 RMB'000
Revenue	<b>72,769,426</b>	72,898,756
Gross profit	<b>1,233,731</b>	1,224,911
Gross profit margin	<b>1.7%</b>	1.7%
(Loss)/profit for the year	<b>(1,349,238)</b>	57,519
(Losses)/earnings per share — Basic (RMB cents)	<b>(10.71)</b>	0.79
— Diluted (RMB cents)	<b>(10.71)</b>	0.79
Total non-current assets	<b>32,543,379</b>	32,286,754
Total current assets	<b>29,540,372</b>	29,158,306
Non-current assets held for sale	<b>44,179</b>	44,179
Total assets	<b>62,127,930</b>	61,489,239
Total non-current liabilities	<b>10,540,652</b>	10,259,262
Total current liabilities	<b>33,252,822</b>	31,607,503
Total liabilities	<b>43,793,474</b>	41,866,765
Net assets	<b>18,334,456</b>	19,622,474

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# Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Zall Smart Commerce Group Ltd. ("Zall", "Zall Smart Commerce" or "the Company"), I am pleased to present the annual report of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2020.

The year 2020 is an unexpected year during which COVID-19 plagued the world, resulting in extremely volatile capital markets and seriously disrupted industry chains and supply chains. Amid the fierce pandemic and complex economic landscape, Zall Smart Commerce vigorously undertook its corporate social responsibility and spared no effort in fighting the virus by actively responding to the call of "leveraging the cloud and digital transformation to empower a smart ecosystem" by promoting digital transformation of traditional enterprises and making full play of its commercial, trade and logistics advantages, so as to continuously boost the prosperity of offline physical markets. Zall Smart Commerce's ecosystem bucked the trend and continued to intensively cultivate vertical industries by synergistic and integrated planning and refine its governance structure, fully demonstrating its development potential in such testing time.

## TECHNOLOGY EMPOWERMENT, SYNERGY AND INTEGRATION TO EXPEDITE THE DIGITAL TRANSFORMATION OF INDUSTRIES

Our society is currently undergoing another wave of information technology revolution and industry transformation under which digital technology and the real economy have integrated, conversion of data into value has accelerated, and the potential of turning digital data into an industry and digital transformation of industries has been further unleashed; and the ongoing spread of COVID-19 has directly sped up the process. The digital transformation of traditional industries has evolved from "an option" of some leading sector players to become "a must" for many sectors and companies, and the industry internet sector witnesses another explosive surge.

Recently, the Group has firmly adhered to the "technology + business" two-wheel drive strategy and continued to step up investment in research and development of digital technology including blockchain, artificial intelligence and IoT. Research institutions, Zall Smart Commerce Research Institute being a representative one, were granted a total of 244 intellectual property rights in 2020, of which 26 were invention patent grants (including 4 international patents). The Group ranked 58th in the 2020 Global Blockchain Invention Patent Ranking (Top 100) released by the professional institution incoPat Innovation Index Research Centre.

On the back of its strong research and development capability in technology and industry presence in fields including agriculture, steel, chemicals and plastics, Zall Smart Commerce continued to apply digital technology in the mall scenario to facilitate the organic integration of information flow, logistics and capital flow across platforms and fully connect the link between various parts along the whole the supply chain, so as to help traditional enterprises shrug off the impact of the pandemic, empower the digital transformation of medium, small and micro enterprises in the industry in a strive to achieve digital and smart trading.

## Chairman's Statement (continued)

Mutian Mall and Fengwang Zhiyun 2.0 under Shenzhen Sinoagri E-commerce Co., Ltd\* (深圳市中農網有限公司) ("Shenzhen Sinoagri") were put into operation, allowing the previous offline and semi-online trading and logistics to become completely online, lowering the costs and boosting the efficiency of the industry to the maximum extent and creating a smart trading scenario for agricultural products. Shanghai Zall Steel E-commerce Co., Ltd\* (上海卓鋼鏈電子商務有限公司) ("Zall Steel") launched a series of online products and services including online payment services, Zall Steel SaaS cloud services and Piao Li De to build a professional supply chain management and service platform for the bulk black commodity industry, and debuted in full swing a brand new business model under which the iron and steel industry internet platform can empower upstream and downstream enterprises in the industry through supply chain services and technical services. Commodities Intelligence Centre Pte. Ltd. ("CIC") rolled out Data Pro, a smart analysis tool for international trade data and derivative buyer lead services and products to help enterprises achieve multiple income sources, expand the global coverage of their supply chains and facilitate digital transformation. HSH International Inc. ("HSH") leveraged its supply chain advantages to launch Ding Dan Bao, a raw material price management product tailored for offering services to factory clients, which can help enterprises solve issues such as risks from volatile raw material price and appropriation of funds and inventory problems arising therefrom.

In addition, to address the "financing difficulties" of micro, small and medium enterprises, the Group's platforms joined hands with a number of financial institutions to launch the "Special Financial Support Plan for Pandemic Combat and Production Resumption", "Zhonglian E-Loan" (中鏈E貸), "Loan for Plastic Enterprises" (助塑貸), "Mutian E-Financing" (沐甜E融) and other supply chain financial products, which combined verification data of various parties to enable online operation for the entire process and shifted the focus of risk control from corporate credit to transaction credit, providing "blood infusion" for the survival and development of micro, small, and medium enterprises.

Going forward, the Group will continue to use digital technologies to promote the digital transformation of traditional enterprises, and continuously expand and extend to the upstream and downstream of the industry chain to uncover and diversify vertical businesses, enhance the influence in and control over the industry chain, and facilitate the flourishing development of digital trade and digital economy.

### IMPROVE SUPPORTING FACILITIES AND UPGRADE INFRASTRUCTURE TO CONTINUOUSLY PROMOTE THE PROSPERITY OF THE OFFLINE MARKET

The Group spared no efforts in promoting the prosperity of the offline market. Faced with the tremendous impact of the epidemic in early 2020, North Hankou International Trade Centre ("North Hankou"), the Group's core flagship project, has continuously improved supporting market infrastructure since the resumption of market activities in Wuhan on 28 March 2020 to bring in high-quality resources such as live streaming, smart market and online supply chain channels. It ramped up the construction of experience-based consumption and characteristic consumption scenarios, made targeted investment centring on the two major businesses of "e-commerce" and "foreign trade", vigorously developed new consumption businesses and models, and actively promoted the transformation and upgrade of offline consumption, setting off a new direction and path for high-quality development with online and offline coordination, domestic and foreign trade integration, and wholesale and experience-based consumption combination. As a result, North Hankou has become the largest commerce and logistics platform in the central and western regions, an international supply chain management centre, and an important window for opening the central China to the world.

## Chairman's Statement (continued)

In 2020, North Hankou built a full-category e-commerce live streaming industry base, in which the construction of an e-commerce live streaming industrial park for 30 major industries was commenced, a 3,000-square-meter selected product hall for e-commerce live streaming was built, and more than 50 "shared live streaming rooms" were erected, attracting 430 live streamers, 16 MCN organisations, and official authorized service providers of e-commerce platforms such as Douyin, Kuaishou, Taobao, Mogujie and JD.com to settle in the base, creating a whole-industry-chain e-commerce live streaming industrial park integrating supply chain, live streaming organisations, training institutions and e-commerce operation service institutions.

In addition, by vigorously building the "Digital North Hankou" information system, North Hankou has developed functions such as real-time pedestrian traffic monitoring, store opening and closing management, online property management, real-time customer service, goods transaction feedback and logistics information matching to strengthen the integration of platform data and resource allocation capabilities, thereby greatly improving the efficiency of market operation and management.

Bearing the epochal mission of revitalizing commerce and trade of the city, Wuhan International Trade City officially commenced construction in January this year, whereby North Hankou will be comprehensively upgraded, key projects such as the Cross-border Commodity Trading Centre, the new Wuhan Exhibition Hall, Wuhan International Trade and Conference Centre, World Runway, International Hotel Cluster, International Schools and Hospitals will be strategically constructed to build a modern commerce, trading and logistics platform with a total area of 12 million square meters that is the largest in China and top in the world. The Group will seize the opportunities arising from the construction of Wuhan International Trade City to accelerate the development of North Hankou to establish a high-end, high-efficiency, high-concentration and wide-coverage "aircraft carrier" for commerce and trading and a national core hub for commodity trading, accelerate the construction of a large channel and platform for domestic commodity distribution, and build future-oriented international trading facilities and premium supporting market facilities for Wuhan's construction a national trading and logistics centre.

### **INTENSIVELY DEVELOP DOMESTIC TRADE, EXPAND FOREIGN TRADE, AND ASSIMILATE INTO THE "DUAL CIRCULATIONS" FROM A HIGH STARTING POINT**

Faced with the once-in-a-century global change, the state strategically put forward a new development pattern "with domestic circulation as the mainstay and domestic and international circulations reinforcing each other", requiring that the two types of resources in the domestic and foreign markets be linked. Through expanding opening and cooperation to achieve interconnection with the global economy, the efficiency and quality of the domestic circulation will be enhanced through open and effective "dual circulations". In line with the new development pattern, Zall Smart Commerce's various platforms continued to intensively develop in segment industries such as agriculture, chemicals, plastics and steel, and vigorously expand in the field of industrial distribution in the foreign trade industry.

In terms of intensively developing domestic trade, in addition to improving the supply chain system in fields such as sugar and cocoon silk, Shenzhen Sinoagri expanded its business by establishing a "one-stop intelligent coffee procurement and service platform" with Marubeni Corporation of Japan and venturing into intelligent breeding of live pigs, with continuous increase in the number of clients; Zall Steel continued to extend its steel supply chain to the upstream and downstream of the industry; HSH continuously improved the industry supply chain service system and developed leading service capabilities in vertical industries to see its market share continuously increase.

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## Chairman's Statement (continued)

In terms of expanding foreign trade, North Hankou, CIC and LightInTheBox Holding Co., Ltd. ("LightInTheBox"), the cross-border e-commerce company, have all achieved growth amidst market downturn. North Hankou established 24 directly-operated comprehensive service centres for foreign trade in 9 cities and prefectures in Hubei Province, and created two new customs clearance models, 9710 and 9810, for cross-border e-commerce, achieving export volume to US\$2.5 billion, a significant increase as compared with last year; the number of CIC's customers increased by more than 20% year-on-year, with the number of inquiries exceeding 4,000 per day. Its non-ferrous metals and energy sectors are gaining regional advantages in Southeast Asia; LightInTheBox and Ezbuy Holdings Co., Ltd. ("ezbuy") combined each other's advantages to continuously integrate and optimize the supply chain and sell more domestic products overseas, achieving substantial increase in revenue, net profit and the number of customers.

In addition, Zallgo Information Technology (Wuhan) Co., Ltd. ("Zallgo"), a super tool developed by the Group for supply chain management, was launched during the Wuhan Commodities Fair in a new edition. Taping into years of industrial experience, Zallgo will empower offline physical markets with North Hankou and related markets at the centre, and enhance the sales capacity of wholesale market customers through centralized procurement and tail product lines; online, it gradually connects the underlying data and account systems of various platforms, utilizes its data linking capabilities to create a model of platform customer service, and leverages financial service to bring in more partner customers.

In view of the new development pattern of "dual circulation", for domestic trade, the Group will continue to intensively develop in domestic industries in such segments as agriculture, chemicals, plastics and steel, continue to extend to the upstream and downstream of the industry, build an industry supply chain service system, strengthen and optimize offline physical commerce and trading markets, develop leading service capabilities in vertical industries, and continuously increase market share. For foreign trade, the Group will continue to integrate and optimize high-quality supply chains at home and abroad, access the global market, enhance cross-border e-commerce, bulk trade, comprehensive foreign trade services and other businesses, and continue to improve its capabilities in the digital trade business. The Group will assimilate into the "dual circulation" development pattern at a high starting point, and achieve common benefits for related parties through the intelligent exchange of material, energy and information, creating a virtuous circle of industrial trade services.

The journey ahead is far and tortuous, but our original aspiration remains unwavering. Zall Smart Commerce will continue to uphold the business philosophy of "connecting global business intelligently, and creating value for clients", reinforce confidence in development, and continue to provide modern logistics and supply chain services to the industries, striving to become the world's largest intelligent trading platform provider and service provider and enter the list of Fortune Global 500 Companies as soon as possible.

**Yan Zhi**

*Co-Chairman*

Hong Kong, 31 March 2021

# Management Discussion and Analysis

## BUSINESS REVIEW

### Consumer product-focused wholesale trading

With 32,000 merchants operating stably and mega market clusters with developed and developing area exceeding 6.8 million square metres in total, the Group's core project, the North Hankou has now formed more than 30 large niche market clusters covering hotel supplies, branded clothing, second-hand vehicles, small merchandises, bedding, footwear and leatherware, hardware and electrical products, labour protection supplies, non-staple food, etc. The annual transaction amount achieved in 2020 was approximately RMB98.1 billion. During the year, the Group received accolades including "Live Broadcast Demonstration Base of Commodity Exchange Market in China", "Most Attractive Commodity Trading Market in China (North Hankou Small Merchandise City)", "Most Promising Commodity Trading Market in China (Hankou North Second-hand Vehicles World)", "Most Innovative Commodity Trading Market in China (North Hankou Branded Clothing City)", "Most Influential Commodity Trading Market in China (North Hankou Hotel Supplies City)" awarded by the Chinese Association of Market Development, as well as Outstanding Enterprise in 2018–2019 awarded by Wuhan Enterprise Confederation and Wuhan Entrepreneurs Association.

In 2020, amid the COVID-19 pandemic, North Hankou fully resumed work and production on 28 March 2020, becoming the first large-scale integrated commercial, trading and logistics market resuming work and market in Wuhan following the outbreak of the epidemic, and no major outbreak has occurred throughout the year. Upon resumption of work and production, North Hankou tapped the potential and carried out innovative marketing with integrated online and offline efforts, built and put into use the Hankou North Live Broadcast Product Selection Centre, introduced a number of national supply chain enterprises and live broadcast service agencies to settle there, and spared no effort in building a national-level all-round e-commerce live broadcast industrial park; assisted tenants in broadening their sales channels through live broadcast by carrying out more than 7,500 live e-commerce activities, with a cumulative number of viewers exceeding 7 million; planned online purchase activities with various themes including the "North Hankou Spring and Summer Live E-commerce Purchase Festival"; and arranged tenants from various sectors to vigorously roll out more online goods order fairs. North Hankou completed the hosting of the Global Digital Trade Conference and the 11th Wuhan Commodities Fair with high quality in 2020, inviting diplomatic envoys and procurement delegations from more than 50 countries, including "the Belt and Road" and RCEP participating countries, 100 industrial internet enterprises, 100 international trade enterprises, 100 wholesale markets, hundreds of representatives of trade associations, heads of 100 well-known enterprises and more than 5,000 brands to participate in the exhibition, and carrying out economic and trade activities such as import and export trade procurement, supply and demand docking, on-site contract signing, live broadcast trade, cross-border e-commerce and forum exchanges.

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## Management Discussion and Analysis (continued)

Moreover, even under the impact of the epidemic, North Hankou made a breakthrough in carrying out more than 120 live broadcasts to further attract market players by launching additional campaigns, vigorously bringing in various types of business such as food and beverage, fashion, daily supplies, accommodation, entertainment, shopping, travel and exhibition, and achieving an additional take-up area of about 300,000 square metres, among which 98 Han-style women's clothing factories were introduced to carry out direct sales, covering an area of 10,000 square metres. The North Hankou expanded the market scale, launched Area J6 and its supporting projects, completed the construction works and put it into operation; started the construction works of Area K, completed all the main body and masonry works, and is finishing the final works of the project, which is planned to be put into use in 2021. The North Hankou Transportation Terminal already officially commenced operation on 31 May 2020, and the passenger transport function of Hankou Xinrong Passenger Transport Station was fully moved to North Hankou Transportation Terminal on 1 July 2020. At the beginning of 2021, the Wuhan International Trade City project officially commenced in the north of Hankou. It plans to further build 12 major thematic functional projects based on the existing North Hankou, so as to accelerate the upgrade of the overall planning for market size, functional elements, business fundamentals as well as transportation and livelihood supporting facilities.

Keeping up with the trend of industrial transformation and upgrading in Beijing-Tianjin-Hebei region, Tianjin Zall E-commerce Mall, the Group's flagship project in Northern China, has dug deep into the industrial and resource advantages of Northern China, established an ecological cluster model of online commodity trading, achieved the integration of online and offline development, and built itself into a benchmark digital commodity trading platform in Northern China, forming the linked development of the northern and southern markets. Following the COVID-19 pandemic in 2020, Tianjin E-commerce Mall Project resumed work and production steadily, set a foothold on the local market by deeply exploring various market resources such as flower, bird, fish, pet, antiques, home decoration and building materials as well as leather clothing, etc., achieving online and offline promotion simultaneously, and continuously promoting the development of characteristic industries. The home decoration plaza of Tianjin Zall E-commerce Mall officially commenced operation on 28 May 2020 following the relocation of the old building materials markets in Tianjin. More than 300 brand retail tenants from the old-brand decoration markets such as Houtai, Wangdingdi and Dengdian in Tianjin were relocated to the mall altogether, featuring various first-line brand retailers such as Nobel Ceramic Tile, Power Dekor, Oppl, Fotile Water Heater, Midea Integrated Ceiling, etc. On 28 October 2020, Tianjin Leather City re-opened after decoration and upgrading. The mall has fully introduced domestic and foreign high-grade fur brands, fur production enterprises and brand distributors with business scale, including quality merchants in Haining and Wenzhou, with a view to building a mega fashion fur consumption centre with both scale and quality in Northern China. On 25 December 2020, Zall World of Artefacts and Ornaments, located in the West District of Block B1, was fully put into operation, with business scope covering various cultural and artistic collections such as artefacts and ornaments, calligraphy and painting, jewellery and jade, antique furniture, etc., providing a professional exchange and appreciation platform for enthusiasts of artefacts and ornaments at large.

### Supply chain management and trading

The Group has established a B2B trading platform matrix for agricultural products, chemicals, plastics, ferrous metals, non-ferrous metals, energy, etc. so far.

## Management Discussion and Analysis (continued)

In 2020, on the basis of insisting on going digital, pursuing online operations and offering an array of tailored solutions for various scenarios, the Group's large-scale agricultural products B2B platform, Shenzhen Sinoagri, superimposed the digital value on the commercial value of the business model, and continuously enhanced the service experience of a digital supply chain. Shenzhen Sinoagri iteratively launched the online self-operated Mutian Mall on the basis of its existing business. Meanwhile, Shenzhen Sinoagri also launched its online customer self-service business, Wechat mini programmes for the mall, and completed the reconstruction of ERP platform to seamlessly connect with the mall's system by migrating its service architecture, so as to accurately match user requirements through finer product granularity and effectively boost customer stickiness and conversion rates. With the gradual increase in customer orders received by Mutian Mall, the bargaining power of the platform's industry chain and digital service standards have been further improved. At the same time, in terms of data risk control, the platform's involvement in technology is also increasing. The platform has improved its customer credit model evaluation system and promoted the online deployment of the customer credit evaluation system by setting up an online credit factory and introducing third-party data for anti-fraud verification. Fully online process, customer credit model evaluation system and digital transformation of assets all lay a solid foundation for unleashing the digital power of Shenzhen Sinoagri. In 2020, Shenzhen Sinoagri linked up with advantageous external resources to further shareholding restructuring and strategic planning. In order to further improve the management quality and resource expansion of its principal business in bave, Shenzhen Sinoagri completed the strategic shareholding restructuring and business restructuring of Guangxi Bave Block Trading Market by introducing the state-owned enterprise Beibu Gulf Equity Exchange Group as its cornerstone shareholder. After the restructuring, Shenzhen Sinoagri will continue to give full play to its advantages in digital platform operation and empowering industries, and leverage Guangxi's strong local shareholder resources to further enhance the influence of China's bave industry. Meanwhile, as the lead investor, Shenzhen Sinoagri completed the A+ round of investment with BASF and Evonik in Smart AHC, successfully opening up a new business opportunity in the smart breeding of live pigs. In order to further improve the operating quality and profitability of the existing business, the coffee business of Shenzhen Sinoagri (with Shenzhen Sinoagri Yilian Company as the entity) and Marubeni Corporation in Japan entered a substantive operation stage in July 2020, and successfully launched the "Hey Coffee" product series mainly composed of coffee beans and drip coffee. In 2020, even in the face of the adverse effects of the epidemic, the bave of Shenzhen Sinoagri, as the first business category to go international, continued to actively expand into the European market, with a total export order of USD4.98 million. The platform launched an export plan for apple products to enter the Southeast Asian market, and made the first apple export to the Philippines during the reporting period. The coffee business category of the platform successfully made its debut Vietnam coffee beans import. As at 31 December 2020, there were 25,156 new enterprise users on the platform of Shenzhen Sinoagri, and the operating revenue was about RMB38.1 billion.

As a chemical e-commerce operator that leads the future of the industry, HSH, a subsidiary of the Group, is committed to promoting the infrastructure construction of "Internet + chemicals and plastic raw materials", opening up the closed loop of transaction of information flow, logistics and capital flow in the entire industry chain for chemicals and plastic raw materials. It aims to construct a new ecosystem for the entire industry chain of the chemical and plastic raw material industry through an innovative mode of distributed sharing platform. In the post-epidemic era, financial institutions support the development of medium, small and micro enterprises on a targeted basis; the operation of downstream factories have basically recovered to the pre-epidemic level. Stimulated by various policies such as the state's tax and fees reduction initiatives and acceleration of the establishment of a new development pattern based on domestic circulation as the mainstay, with mutually reinforcing international and domestic dual circulation, the overall demand of the chemicals and plastics market has been effectively unleashed, and the market will demonstrate stable growth. As at 31 December 2020, the accumulative number of customers of the platform reached 45,577, and the operating revenue was approximately RMB7.9 billion.

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## Management Discussion and Analysis (continued)

In the bulk black commodity sector, Zall Steel, a subsidiary of the Group, mainly builds integrated service platform for intelligent trading and supply chain services for upstream, midstream and downstream supply chain partners of steel industry chain. In 2020, Zall Steel radiated to 6 major steel markets, including East China, Central China, South China, North China, Southwest China and Northwest China, with Shanghai as the centre, and established 25 trading service centres in various trading areas, with about 40,000 registered members and 23 standard warehouses, serving nearly 1,000 special supply chain products customers of the platform. As at 31 December 2020, Zall Steel recorded operating revenue of approximately RMB16.9 billion.

In respect of global commodity online trading, the Group's CIC provides integrated services covering transaction matching, custom clearance and declaration, supply chain logistics, trade financing, supply chain finance and global compliance regulation, as well as trade data and trade index services, achieving smart commodity trading throughout the process. As at 31 December 2020, CIC recorded accumulative transaction amount of over USD13.4 billion, over 5,800 registered users and revenue of approximately RMB7.9 billion, which completed its business layout in China, Singapore, Australia, India, Malaysia and many other Asian countries, focusing on transactions in non-ferrous metals, ferrous metals, chemicals and plastics materials, agricultural products, oil products and other categories. As the epidemic has highlighted the importance of digital transformation in the commodity sector, the number of customers on the CIC platform also increased by 26% as compared with the same period of 2019, resulting in an increasing level of activity on the entire platform. Through the integration of professional medical technology on the online platform with offline supply chain logistics, CIC assured its capabilities for the international procurement and supply of various medical supplies during the entire period of the Group's fight against the epidemic to the aid of 16 countries in their fight against the epidemic together. Meanwhile, in order to help the digital transformation of Singapore enterprises, CIC also signed a strategic cooperation agreement with Singapore Business Federation and became the preferred partner in the Rising in Support of Enterprises (RISE) Programme launched by Enterprise Singapore and Singapore Business Federation to help small and medium-sized enterprises cope with the challenges of the COVID-19 pandemic. In order to strengthen the coordinated progress and development of the CIC platform and ZMA Smart Capital Pte. Ltd. (卓紅金服), CIC also joined the Blockchain for Trade & Connectivity (BTC) Network launched by Singapore. Through its characteristic blockchain product TradePro, business intelligence analysis tool DataPro and other special service tools, the platform fully adopts blockchain technology, achieves transparent operation of business flow, logistics and cash flow through data writing, distributed bookkeeping and intelligent contracts, reduces information transmission costs and transaction costs of traditional channels, and ensures safe transactions in the trade process of multi-party platforms and enterprises.

Through the online and offline integrated development in recent years, the Group has established and operated B2B trading platforms with significant influence for agricultural products, chemicals and plastics materials, ferrous metals, non-ferrous metals, energy, etc., and its supply chain management and trade business grow significantly. The Group will further expand into other sectors through organic development or merger and acquisition when the appropriate opportunity arises, continuously enrich and perfect Zall Smart Commerce's intelligent ecosphere and further enhance operating efficiency.

# Management Discussion and Analysis (continued)

## Warehousing and logistics services

Zallfuhui Information Technology (Wuhan) Co., Ltd.\* (卓服匯信息科技(武漢)有限公司) (“Zall Cloud Warehouse (卓爾雲倉)”), a subsidiary of the Group, is committed to building a comprehensive supply chain service platform integrating warehousing, logistics and financial supervision, focusing on the provision of offline warehouse goods custody and distribution services, warehouse leasing and financial products regulatory services for enterprises and their upstream and downstream distributors and wholesale markets through the integration of warehousing management, physical delivery, regulatory network, logistics and transportation, financial risk regulation and other resources within the trading process. Zall Cloud Warehouse withstood the test from the epidemic challenge during 2020 and steadily established its national presence in order to meet the increasingly growing business demand, adding 184 whitelisted supervised warehouses in Shanghai, Hangzhou, Qingdao, Ningbo, etc during the year. In addition, the intelligent warehouse operation team set up by Zall Cloud Warehouse provided “intelligent warehousing, one-click delivery” service for the e-commerce transformation of wholesale merchants in North Hankou, and the current delivery volume is up to nearly ten thousand orders per day. Wuhan Zall Cloud Intelligent Warehouse Centre has gradually become an influential warehouse platform in the Central China region, with settled enterprises covering areas such as electronic appliances, food and beverage, packaging materials, protective equipment, office stationery, auto parts, shoes and clothing, as well as catering.

In respect of logistics services, based on the development strategy of “Technology Driven + Supply Chain Driven”, Zallsoon Information Technology (Wuhan) Co., Ltd.\* (卓集送信息科技(武漢)有限公司) (“Zallsoon (卓集送)”), a subsidiary of the Group, made innovation and development in logistics information technology and supply chain management, and helped the logistics industry reduce costs and increase efficiency with technology in 2020, in addition to providing enterprise customers with one-stop logistics services including intracity express transportation, long-distance freight transportation, cold chain warehousing and distribution. Zallsoon won the title of “National High-tech Enterprise” in 2020, and has so far obtained 12 software copyrights and is applying for 11 patent inventions. Throughout year 2020, 5.8 million of cold chain deliveries were made by Zallsoon. Zallsoon plans to set up self-operated cold chain centres in Wuhan, Zhengzhou, Hunan, Jiangxi and Central China in 2021, continuously radiating outward to build a nationwide cold chain warehouse distribution network with “intracity + trunk line” features.

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# Management Discussion and Analysis (continued)

## FUTURE PROSPECTS

Originated from the offline wholesale market, Zall Smart Commerce has undergone many years of internet transformation with experience in the physical market and new economic operations. The core value of the wholesale market is the level of prosperity in terms of transactions. Online transformation will help the prosperity of the offline markets, which in turn will contribute to the flow and scale of the online platforms. We will accelerate the integration of online and offline applications, and will bring greater development potential to Zall Smart Commerce through the mutual empowerment and joint development of online and offline platforms.

Zall Smart Commerce will continue to adhere to the main track of B2B and supply chain services with innovation, so as to build an intelligent trading system with high efficiency and low cost in a win-win situation and connecting global business intelligently. We look forward to working together with more companies in the PRC and overseas to achieve integration and symbiosis, redefining B2B and even the way in which the world trades, and jointly welcome the beginning of the new trade era.

## Impact of COVID-19

Under the impact of COVID-19 outbreak in early 2020, the personnel mobility was decreased, and the physical market of the Group was hit hard, and the passenger flow and opening rate of shops declined significantly as compared with previous years. The bulk commodity supply chain platforms under the Group were limited by the suspend production of factories and logistics disruption, demand reduction and other factors, and the operations were greatly impacted. In the first quarter of 2020, in order to reduce the impact of the epidemic on tens of thousands of merchants, the offline North Hankou Market actively reduced or exempted all merchants from property management fees for the first quarter, reducing property service income by approximately RMB16 million. In addition, Jiangsu Eastside Group Co., Ltd. (江蘇一德集團有限公司) was exempted from the rent for the six months from 1 July 2020 to 31 December 2020, amounting to approximately RMB232 million. With the acceleration of the recovery in Wuhan after the epidemic, North Hankou Market took the lead in resuming the market in Wuhan and quickly recovered, and expanded sales channels and advantageous supply chain resources by grafting live broadcast, industrial Internet and foreign trade comprehensive services, and made efforts to resume normal operations with merchants. The Group's supply chain platforms have taken measures to launch online business transactions and logistics to minimize costs and increase efficiency, and strive to achieve digital transformation. In addition, in response to the "financing difficulties" of small, medium and micro enterprises, the platforms under the Group corporated with several financial institutions to launch various supply chain financial products of whole-process online operation to provide "blood transfusion" for the survival and development of small, medium and micro enterprises in order to reduce the impact of the epidemic on the supply chain business.

# Management Discussion and Analysis (continued)

## INVESTMENT PORTFOLIO

The portfolio of listed equity investments of the Group as at 31 December 2020 and 31 December 2019 were as follows:

### As at 31 December 2020

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost RMB'000	Carrying amount as at 31 December 2020 RMB'000	Unrealised holding gain arising on revaluation for the year ended 31 December 2020 RMB'000	Realised holding loss arising on disposal for the year ended 31 December 2020 RMB'000	Dividend received for the year ended 31 December 2020 RMB'000
00607.HKEX	Fullshare Holdings Limited ("Fullshare")	590,962,500	3.00%	620,157	94,502	5,102	-	-

### As at 31 December 2019

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost RMB'000	Carrying amount as at 31 December 2019 RMB'000	Unrealised holding loss arising on revaluation for the year ended 31 December 2019 RMB'000	Realised holding loss arising on disposal for the year ended 31 December 2019 RMB'000	Dividend received for the year ended 31 December 2019 RMB'000
00607.HKEX	Fullshare	590,962,500	3.00%	620,157	95,287	812,810	61,705	-

# Management Discussion and Analysis (continued)

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

As at 31 December 2020, the Group held approximately 590,962,500 (31 December 2019: 590,962,500) shares in Fullshare, representing approximately 3.0% of its entire issued share capital (31 December 2019: 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 gain of approximately RMB5.1 million for the year ended 31 December 2020 (31 December 2019: unrealised holding loss of approximately RMB812.8 million). The carrying amount of investment in Fullshare accounts for approximately 0.15% of the Group's total assets as at 31 December 2020 (31 December 2019: approximately 0.15%). The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

## RESULTS OF OPERATION

### Revenue

For the year ended 31 December 2020, revenue of the Group was approximately RMB72,769.4 million (2019: approximately RMB72,898.8 million). The total revenue of the Group has remained stable, of which, the revenue from supply chain management and trading business has remained stable; the rental income from investment properties and revenue from financing income decreased; and sales of properties and related services increased.

#### Revenue from supply chain management and trading business

The Group's revenue from supply chain management and trading business has contributed approximately 98.2% of the Group's total revenue for the year ended 31 December 2020. For the year ended 31 December 2020, the Group's revenue from supply chain management and trading business was approximately RMB71,443.7 million (2019: approximately RMB71,748.5 million). Revenue from supply chain management and trading business has remained stable, of which, the revenue from Shenzhen Sinoagri and CIC increased while the revenue from HSH and Zall Steel decreased.

#### Rental income from investment properties

The Group's rental income from investment properties decreased by approximately 6.5% from approximately RMB769.1 million for the year ended 31 December 2019 to approximately RMB718.9 million for the year ended 31 December 2020. The decrease was primarily due to certain concessionary supports offered by the Group to the tenants in North Hankou, as a result of the outbreak of COVID-19 pandemic during the year.

#### Revenue from financing income

The Group's financing income decreased by approximately 37.4% from approximately RMB160.9 million for the year ended 31 December 2019 to approximately RMB100.6 million for the year ended 31 December 2020. The decrease was mainly due to that Shenzhen Sinoagri compressed its partial supply chain financial business to its upstream customers, based on the industrial research and analysis.

#### Sales of properties and related services

Revenue from sales of properties and related services increased by approximately 217.7% from approximately RMB127.4 million for the year ended 31 December 2019 to approximately RMB404.7 million for the year ended 31 December 2020.

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## Management Discussion and Analysis (continued)

The Group's revenue from sales of properties was generated from the sales of auxiliary facilities units, office and retails units and residences. The increase in revenue from sales of properties was mainly attributed to the increase in the gross floor area delivered in 2020.

### Cost of sales

For the year ended 31 December 2020, cost of sales of the Group was approximately RMB71,535.7 million (2019: approximately RMB71,673.8 million). The total cost of sales of the Group has remained stable.

### Gross profit

Gross profit of the Group increased slightly by approximately 0.7% from approximately RMB1,224.9 million for the year ended 31 December 2019 to approximately RMB1,233.7 million for the year ended 31 December 2020. The Group's gross profit margin has remained stable as approximately 1.7% for the year ended 31 December 2020 (2019: approximately 1.7%).

### Other net income/(loss)

For the year ended 31 December 2020, other net income was approximately RMB248.7 million (2019: other net loss of approximately RMB756.3 million). The increase of other net income was mainly due to the significant decrease in unrealised holding loss of listed equity securities compared to that for the prior year.

### Selling and distribution expenses

Selling and distribution expenses of the Group decreased by approximately 14.1% from approximately RMB197.0 million for the year ended 31 December 2019 to approximately RMB169.1 million for the year ended 31 December 2020. The decrease was primarily due to (i) the decrease in advertising and promotion expenses of approximately RMB16.5 million; (ii) the decrease in logistics and handling fees of approximately RMB7.6 million; and (iii) the decrease in office utilities and management fees of approximately RMB6.9 million.

### Administrative and other expenses

Administrative and other expenses of the Group decreased by approximately 6.2% from approximately RMB662.1 million for the year ended 31 December 2019 to approximately RMB621.4 million for the year ended 31 December 2020. The decrease was primarily due to offsetting effect of (i) the decrease in share-based payment expenses of approximately RMB57.3 million and (ii) the increase in staff cost of approximately RMB19.4 million.

### Impairment loss on trade and other receivables

Impairment loss on trade and other receivables of the Group increased by approximately 78.9% from approximately RMB246.2 million for the year ended 31 December 2019 to approximately RMB440.6 million for the year ended 31 December 2020. The increase was mainly due to the collection of rentals receivables was not as expected as a result of the outbreak of COVID-19 pandemic.

# Management Discussion and Analysis (continued)

## Impairment loss on intangible assets and goodwill

The Group recorded impairment loss on intangible assets and goodwill amounted to approximately RMB126.5 million and approximately RMB199.4 million respectively for the year ended 31 December 2020 (2019: approximately RMB20.3 million and approximately 258.3 million respectively). The impairment loss on intangible assets and goodwill was mainly due to the financial performance of Shenzhen Sinoagri and HSH of the Group in the financial year of 2020 being worse than the Group's expectation as affected by COVID-19 pandemic.

## Net valuation (loss)/gain on investment properties

The Group recorded a net valuation loss on investment properties which is amounted to approximately RMB420.9 million (2019: net valuation gain on investment properties of approximately RMB2,533.1 million). The net valuation loss on investment properties was mainly due to (i) the net fair value loss recognised on revaluation of investment properties located at North Hankou as a result of the outbreak of COVID-19 pandemic, and (ii) the decreased number of completed properties transferred to investment properties for rental purposes. The return of investment properties remains stable and the Group will closely monitor the performance of its investment and adjust investment plan when necessary.

## Share of net profits of associates

Share of net profits of associates increased by approximately 266.2% from approximately RMB8.3 million for the year ended 31 December 2019 to approximately RMB30.4 million for the year ended 31 December 2020, which was mainly attributed to the profits from material associates of LightInTheBox Holding Co., Ltd. (蘭亭集勢) and Ningbo Haishangxian Information Technology Co., Ltd.\* (寧波海上鮮信息技術有限公司).

## Finance income and costs

Finance income of the Group increased by approximately 41.4% from approximately RMB175.4 million for the year ended 31 December 2019 to approximately RMB248.0 million for the year ended 31 December 2020. The increase was mainly due to the increase of interest income from fixed deposits.

Finance costs of the Group increased by approximately 16.3% from approximately RMB1,112.5 million for the year ended 31 December 2019 to approximately RMB1,294.2 million for the year ended 31 December 2020. The increase was mainly due to (i) the less amounts capitalised into properties under development and investment properties under development; (ii) the increase of the interest expense on interest-bearing borrowings; and (iii) the increase of bill discounted expenses incurred by Shenzhen Sinoagri from adopting more bill settlements compared with last year.

## Income tax credit/(expenses)

For the year ended 31 December 2020, income tax credit was approximately RMB149.5 million (2019: income tax expense of approximately RMB629.5 million). The income tax credit was mainly due to the deferred tax income incurred as a result of the net valuation loss on investment properties recognised in 2020.

# Management Discussion and Analysis (continued)

## (Loss)/profit for the year

For the year ended 31 December 2020, the Group recorded a net loss of approximately RMB1,349.2 million (2019: net profit of approximately RMB57.5 million). For the year ended 31 December 2020, loss attributable to equity shareholders of the Company was approximately RMB1,260.5 million (2019: profit attributable to equity shareholders of the Company of approximately RMB92.8 million).

## Liquidity and capital resources

As at 31 December 2020, the Group had net current liabilities of approximately RMB3,668.3 million (31 December 2019: approximately RMB2,405.0 million) and net assets of approximately RMB18,334.5 million (31 December 2019: approximately RMB19,622.5 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 has been working on generating positive operating cash flows for the next twelve months 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 putting extra efforts on the collection of trade debtors to improve the debtor turnover days; (ii) the Group has been actively and regularly reviewing its capital structure and will consider raising additional capital by issuing bonds or new shares, where appropriate; and (iii) the Group may dispose non-core business and assets to raise additional capital. As at 31 December 2020, the total equity attributable to equity shareholders of the Company amounted to approximately RMB17,870.1 million (31 December 2019: approximately RMB19,079.0 million), comprising issued capital of approximately RMB32.7 million (31 December 2019: approximately RMB32.7 million) and reserves of approximately RMB17,837.4 million (31 December 2019: approximately RMB19,046.3 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 2020, the Group's cash and cash equivalents amounted to approximately RMB1,184.7 million (31 December 2019: approximately RMB1,243.9 million). The Group's cash and cash equivalents has remained stable. The Group regularly and closely monitors its funding and treasury position to meet the funding requirements of the Group.

## Interest-bearing borrowings

The Group's total interest-bearing borrowings increased by approximately 11.8% from approximately RMB18,490.6 million as at 31 December 2019 to approximately RMB20,679.6 million as at 31 December 2020. Majority of the loans were denominated in RMB, being the functional currency of the Group. Details of the interest rates during the year ended 31 December 2020 are set out in note 5(a) of the consolidated financial statements in this report.

## Net gearing ratio

The Group's net gearing ratio increased from 65.7% as at 31 December 2019 to 71.6% as at 31 December 2020. The increase in net gearing ratio was mainly due to the increase of total interest-bearing borrowings as at 31 December 2020. The net gearing ratio is calculated by dividing interest-bearing borrowings, net of cash and cash equivalents, pledged bank deposits and fixed deposits with banks with original maturity over three months, by total equity attributable to equity shareholders of the Company.

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# Management Discussion and Analysis (continued)

## 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 31 December 2020, 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 2020, the Group had pledged certain of its assets with a total book value of approximately RMB27,068.6 million (31 December 2019: approximately RMB28,386.6 million) and a total book value of approximately RMB7,502.6 million (31 December 2019: approximately RMB6,923.5 million) for the purpose of securing certain of the Group's interest-bearing borrowings and bills payables respectively.

## Material acquisitions and disposals of subsidiaries

The Group did not have any material acquisitions and disposals of subsidiaries, associated companies and/or joint ventures for the year ended 31 December 2020.

## Segment reporting

Details of the segment reporting of the Group for the year ended 31 December 2020 are set out in note 3(b) of the consolidated financial statements in this report.

## 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 2020, the guarantees in relation to mortgage facilities granted to purchasers of the Group's properties amounted to approximately RMB387.0 million (31 December 2019: approximately RMB514.7 million). As at 31 December 2020, the Group provided guarantees to a financial institution for interest-bearing borrowings of an entity which is 20% indirectly held by Ultimate Controlling Party of approximately RMB179.2 million (31 December 2019: nil). In addition, the Group provided a financial guarantee to third parties of approximately RMB7.2 million as at 31 December 2020 (31 December 2019: approximately 30.0 million).

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# Management Discussion and Analysis (continued)

## CHANGES IN ACCOUNTING POLICIES

The Group has applied the amendments to IFRS 16 issued by the IASB to these financial statements for the current accounting period of the Group. For details, please refer to note 2 to the consolidated financial statements of the Company in this report.

## EVENTS AFTER THE REPORTING PERIOD

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

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group employed a total of 2,027 full time employees (2019: 1,887). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2020, the employees benefit expenses were approximately RMB290.7 million (2019: approximately RMB302.5 million). The decrease was mainly due to the decrease in share-based payment expense for the year ended 31 December 2020. 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 payable to the Directors is recommended by the remuneration committee of the Company and approved by the Board with reference to the duties, responsibilities, experience and competence of each Director. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

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. In relation to the Share Option Scheme, 61,827,950 share options were outstanding as at 31 December 2020.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Yan Zhi** (閻志), aged 48, is the executive Director of the Company since the establishment of the Group and has been re-designated as co-chairman of the board since August 2015 and co-chief executive officer since July 2018. He is primarily responsible for the Group's overall business and investment strategies, as well as supervising its project planning, business and operation management. He is also a member of the nomination committee of the Company. Mr. Yan Zhi is the founder of the Group and has extensive industry experience in commercial property and wholesale market and other investment and enterprise management experience in various industries including finance, real estate, logistics, commerce and aviation. Mr. Yan Zhi is a non-executive director and co-chairman of China Infrastructure & Logistics Group Ltd., which is listed on the Main Board of the Stock Exchange (stock code: 1719). Mr. Yan Zhi is a non-independent director and chairman of Hanshang Group Co., Ltd. (漢商集團股份有限公司), a company listed on the Shanghai Stock Exchange. Mr. Yan Zhi has been appointed as a director of LightInTheBox, a company listed on the New York Stock Exchange since 30 March 2016, and has been appointed as chairman of the board since 28 June 2018. Mr. Yan Zhi has been appointed as an independent director of DouYu International Holdings Limited, a company listed on the Nasdaq Stock Market since July 2019. Mr. Yan Zhi is the representative of the 13th National People's Congress of China. In August 2017, he was elected as the chairman of the Wuhan Federation of Industry and Commerce. Mr. Yan Zhi received a master's degree in business administration for senior executives from Wuhan University (武漢大學) in February 2008 and his executive master of business administration degree at Cheung Kong Graduate School of Management (長江商學院) in September 2013, and was awarded a doctoral degree in Chinese History by Wuhan University in June 2018.

**Dr. Gang Yu** (于剛), aged 61, was appointed as an executive Director and co-chairman of the Board on 17 August 2015. Dr. Yu is currently a co-founder and executive chairman of the 111 Inc., a well-known pharmaceutical e-commerce platform listed on NASDAQ, and was a co-founder and chairman emeritus of Yihaodian, a leading e-commerce company in China. Dr. Yu has extensive experience in E-commerce and operation and logistics management. Prior to founding Yihaodian, he was Vice President, Worldwide Procurement at Dell Inc. Dr. Yu also served as Vice President, Worldwide Supply Chain Operations at Amazon. com. Prior to joining Amazon, Dr. Yu served as the Jack G. Taylor Chair Professor in Business in the Department of Management Science and Information Systems at the McCombs School of Business, the University of Texas at Austin, Director of the Center for Management of Operations and Logistics, and co-Director of the Center for Decision Making under Uncertainty. Dr. Yu is also the founder, former chairman and chief executive officer of CALEB Technologies Corporation. CALEB Technologies was acquired by Accenture in a merger and acquisition in 2002. Dr. Yu obtained his bachelor's degree in science from Wuhan University in 1982 and his master's degree in science from Cornell University in 1985. Dr. Yu received his PhD from the Wharton School of Business, University of Pennsylvania in 1990. Dr. Yu was awarded Franz Edelman Award for Management Science Achievement by INFORMS, an international association in 2002. He was also awarded Excellence in Research Award (優秀研究獎) and Best Thesis Award (最佳論文獎) by International Industrial Engineer Institute (國際工業工程師協會) twice in 2002 and 2003. He was awarded Martin Starr Excellence in Production and Operations Management Practice Award (Martin Starr 生產與運營管理卓越實踐獎) by POMS, an international association in 2012. Dr. Yu published over 80 articles on international professional magazines along with 6 books and three American patents. Dr. Yu has been appointed as a director of LightInTheBox, a company listed on the New York Stock Exchange since 30 March 2016. Also, Dr. Yu has been appointed as director of Midea Group Co., Ltd (美的集團股份有限公司), which is listed on the Shenzhen Stock Exchange, since September 2018, and has been appointed as an independent director of Mercurity Fintech Holding Inc., which is listed on the Nasdaq Stock Market, from August 2016 to July 2018. Dr. Yu was an independent director of Baozun Inc., which is listed on Nasdaq Stock Market, from April 2018 to August 2020 and has been appointed as an independent director of Chinadata Group Holdings Limited, which is listed on Nasdaq Stock Market since September 2020.

## Biographical Details of Directors and Senior Management (continued)

**Mr. Wei Zhe, David** (衛哲), aged 50, was appointed as an independent non-executive Director on 11 April 2016 and has been re-designated as executive Director and appointed as chief strategy officer of the Company since 28 June 2017. Mr. Wei has over 18 years of experience in both investment and operational management in the PRC. Prior to launching Vision Knight Capital (China) Fund I, L.P., a private equity investment fund in 2011, Mr. Wei was an executive director and chief executive officer of Alibaba.com Limited, a leading worldwide B2B e-commerce company, for about five years, where he successfully led the company through its initial public offering and listing on the Hong Kong Stock Exchange in 2007. Alibaba.com Limited was delisted in June 2012. Prior to joining Alibaba.com Limited, Mr. Wei was the president, from 2002 to 2006, and chief financial officer, from 2000 to 2002, of B&Q China, the then subsidiary of Kingfisher plc, a leading home improvement retailer in Europe and Asia. Under Mr. Wei's leadership, B&Q China grew to become China's largest home improvement retailer. From 2003 to 2006, Mr. Wei was also the chief representative for Kingfisher's China sourcing office, Kingfisher Asia Limited. Prior to that, Mr. Wei served as the head of investment banking at Orient Securities Limited Liability Company (now Orient Securities Company Limited) from 1998 to 2000, and as corporate finance manager at Coopers & Lybrand (now part of PricewaterhouseCoopers) from 1995 to 1998. Mr. Wei was a non-executive director of HSBC Bank (China) Company Limited and The Hongkong and Shanghai Banking Corporation Limited and an independent director of 500.com Limited, and was also the vice chairman of China Chain Store & Franchise Association. He was voted as one of "China's Best CEOs" by "FinanceAsia" magazine in 2010. Mr. Wei is also a non-executive director of PCCW Limited and JNBY Design Limited, which are listed on the Hong Kong Stock Exchange, an independent director of Leju Holdings Limited and OneSmart International Education Group Limited, which are listed on the New York Stock Exchange. Mr. Wei served as an independent director of Shanghai M&G Stationery Inc., which is listed on the Shanghai Stock Exchange from June 2014 to May 2017. Mr. Wei also served as an independent non-executive director of Informa PLC, which is listed on the London Stock Exchange, from June 2018 to May 2019. And he was a non-executive director of Zhong Ao Home Group Limited, which is listed on the Hong Kong Stock Exchange, from April 2015 to June 2020, a director of Hitevision Co., Ltd., which is listed on the Shenzhen Stock Exchange, from September 2017 to September 2020, and an independent director of Fangdd Network Group Ltd., which is listed on the Nasdaq Stock Market from June 2014 to November 2020. He holds a bachelor's degree in international business management from Shanghai International Studies University and has completed a corporate finance program at London Business School.

**Mr. Qi Zhiping** (齊志平), aged 48, joined the Group at the acquisition of 50.6% equity interest in Shenzhen Sinoagri by the Group in June 2017 and was appointed as an executive Director in July 2018. Mr. Qi was then the vice chairman of Shenzhen Sinoagri and holds the position after the above acquisition. Mr. Qi is also the Co-Chief Executive Officer of the Group and a member of the remuneration committee. Mr. Qi is primarily responsible for the integrated management of the online platform of the Group and the collaboration of various platforms, and the overall strategic planning and management capacity enhancement of Shenzhen Sinoagri, the planning for investment and development strategy of the Group, designing commercial models, engaging in investment projects decision and management of the Group. Mr. Qi was one of the founding members of Shenzhen Sinoagri. He has extensive experience on operation and management of retail chain, securities investment and E-commerce and experienced in corporate governance, strategic planning and global deployment. Mr. Qi obtained his bachelor degree in corporate management from Shenzhen University in 1994. He is currently studying the Executive Master of Business Administration (EMBA) programme of China Europe International Business School. Mr. Qi has been appointed as a director of LightInTheBox, a company listed on the New York Stock Exchange since 17 August 2018 and has been appointed as the vice chairman of its board since 16 November 2018.

## Biographical Details of Directors and Senior Management (continued)

**Ms. Min Xueqin** (閔雪琴), aged 37, was appointed as the executive director of the Group on 16 April 2019. She was appointed as a member of the risk management committee of the Company with effective from 15 September 2020. Ms. Min has over ten years of experience in the commercial property and wholesale shopping mall industries. Ms. Min joined the Group in 2008. Ms. Min is the vice president of the Group and vice president of North Hankou Group Co., Ltd. She is responsible for the Group's finance and capital related affairs. Since 2018, Ms. Min has served as the vice president of Zall Holdings Limited, being a company in which Mr. Yan Zhi, an executive Director, the co-chairman of the Board and co-chief executive officer of the Company, holds 99.95% shareholding, and as a director of Wuhan Z-Bank Co., Ltd., being a company which is held as to 30% by Zall Holdings Limited. Ms. Min was appointed as the vice president of the 8th Hubei Young Entrepreneurs Association (湖北省青年企業家協會) in 2017. Ms. Min obtained a diploma in electronic commerce from Zhongnan University of Economics and Law (中南財經政法大學) in 2006. She enrolled in a course for obtaining an executive master of business administration degree at Wuhan University (武漢大學) in 2013.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Cheung Ka Fai** (張家輝), aged 46, was appointed as an independent non-executive Director on 20 June 2011. He is also the chairman of the audit committee and a member of the nomination committee and risk management committee. Mr. Cheung has over 23 years of experience in auditing, accounting and finance. Prior to joining the Group, Mr. Cheung worked as an auditor at Deloitte Touche Tohmatsu and served as the financial controller and company secretary of two companies listed on the GEM of the Stock Exchange. Mr. Cheung was the chief financial officer and company secretary of Huscoke Resources Holdings Limited, a company listed on the Main Board of the Stock Exchange from June 2008 to July 2012 and an executive director of Huscoke Resources Holdings Limited from October 2009 to July 2012. He has been serving as the chief financial officer of Bonjour Holdings Limited, a company listed on the Main Board of the Stock Exchange from August 2012 to May 2020; and was transferred to chief executive officer from May 2020 to July 2020. Mr. Cheung is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He obtained a bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 1997 and a master's degree in business administration from the University of Bradford in January 2008.

**Mr. Wu Ying** (吳鷹), aged 61, was appointed as an independent non-executive Director on 29 February 2016. He is also the chairman of the nomination committee and a member of the audit committee and remuneration committee of the Company. Mr. Wu is currently the chairman of China Capital Group since October 2008. Prior to joining China Capital Group, Mr. Wu served as chairman and chief executive officer of UTStarcom (China) Co. Ltd for 13 years. Mr. Wu has extensive experience in telecommunication industry and venture capital investment. Mr. Wu obtained his bachelor's degree in electronic engineering from the Beijing University of Technology in 1982 and obtained his master's degree in electronic engineering from the New Jersey Institute of Technology in 1988 and obtained doctor honoris causa from New Jersey Institute of Technology in 2005. Mr. Wu is currently an independent non-executive Director of Zhong An Online P & C Insurance Co., Ltd. (眾安在線財產保險股份有限公司) which is listed on the Hong Kong Stock Exchange. In addition, Mr. Wu is chairman of the board of supervisors of Huayi Brothers Media Corporation Ltd. (華誼兄弟傳媒股份有限公司) which is listed on the Shenzhen Stock Exchange, chairman of ZJBC Information Technology Co., Ltd. (中嘉博創信息技術股份有限公司) which is listed on the Shenzhen Stock Exchange and a director of HyUnion Holding Co., Ltd. (海聯金匯科技股份有限公司) which is listed on the Shenzhen Stock Exchange. Mr. Wu was an independent director of TCL Corporation Ltd. (TCL集團股份有限公司), which is listed on the Shenzhen Stock Exchange, for the period from September 2014 to August 2017.

## Biographical Details of Directors and Senior Management (continued)

**Mr. Zhu Zhengfu** (朱征夫), aged 57, was appointed as an independent non-executive Director on 10 March 2017. He is also the chairman of the remuneration committee and risk management committee and a member of the audit committee of the Company. Mr. Zhu is currently a partner and meeting chairman of Hylands Law Firm (浩天信和律師事務所). Prior to that, Mr. Zhu was the supervisor and executive partner of Kunlun Law Firm (廣東東方昆侖律師事務所) between 1999 and 2019. He was the deputy head of the Land Law Consultation Service Center of the Guangdong Province Land Resources Bureau (廣東省國土廳廣東地產法律諮詢服務中心) from 1995 to 1998, a partner at Guangdong Dalu Law Firm (廣東大陸律師事務所) from 1995 to 1998, the head of finance and real estate of Guangdong Economic Development Law Firm (廣州市經濟貿易律師事務所) from 1993 to 1995, and deputy department head of the economic development department of Wanbao Electronics Import and Export Co., Ltd. (萬寶電器進出口公司) from 1987 to 1993. Mr. Zhu is also an independent non-executive director of Poly Developments and Holdings Group Co., Ltd.\* (保利發展控股集團股份有限公司), which is listed on the Shenzhen Stock Exchange. He was an independent non-executive director of O Luxe Holdings Limited, which is listed on the Hong Kong Stock Exchange for the period from May 2015 to November 2017. Mr. Zhu was an independent non-executive director of Chong Kin Group Holdings Limited (創建集團(控股)有限公司), which is listed on the Hong Kong Stock Exchange from January 2018 to January 2021. Mr. Zhu was an independent director of Beijing Honggao Creative Infrastructure and Design Co., Ltd.\* (北京弘高創意建築設計股份有限公司), which is listed on the Shenzhen Stock Exchange, from November 2014 to April 2018. He was an independent non-executive director of WE Solutions Limited, which is listed on the Hong Kong Stock Exchange, from May 2015 to November 2017. He was also an independent non-executive director of Guangzhou Guangdong Daily Media Co., Ltd (廣東廣州日報傳媒股份有限公司), which is listed on the Shenzhen Stock Exchange, from March 2013 to August 2019. He also served as an independent non-executive director of Dongjiang Environmental Co., Ltd. (東江環保股份有限公司), which is listed on the Hong Kong Stock Exchange, from October 2016 to December 2020 and as an independent director of Wuhan Sante Cableways Group Co., Ltd. (武漢三特索道集團股份有限公司), which is listed on the Shenzhen Stock Exchange, from March 2017 to May 2020. Mr. Zhu is also a member of the National Committee of the Chinese People's Political Consultative Conference and the vice president of the All China Lawyers Association. He graduated from Wuhan University with a PhD in International Economics Law in 1999 and holds a professional lawyer's certificate issued by the Ministry of Justice of the People's Republic of China.

## Biographical Details of Directors and Senior Management (continued)

### SENIOR MANAGEMENT

Mr. Yan Zhi (閻志), Mr. Qi Zhiping (齊志平) and Ms. Min Xueqin (閔雪琴) also serve as senior management of the Group, please refer to their biographical details as set out under the section of Executive Directors.

**Mr. Zhu Guo Hui** (朱國輝), aged 44, is the chief financial officer of the Company. Mr. Zhu joined the Group in August 2014 and is primarily responsible for the financial management and capital market of the Company. Mr. Zhu possesses over 19 years of experience in the capital markets of Hong Kong and Mainland China. Prior to joining of the Company, Mr. Zhu has worked in various financial institutions including Credit Suisse, Value Partners Group, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 806) and BNP Paribas in connection with transactions on initial public offering, merger and acquisition, direct investment and corporate financing. Mr. Zhu holds a bachelor's degree in economics from The Central University of Finance and Economics and a master's degree in international business administration from The University of Hong Kong.

**Mr. Li Bin** (李斌), aged 50, is the executive vice president of the Group and the president of North Hankou Group Co., Ltd.. Mr. Li is overall in charge of development of offline properties and operation work. Mr. Li has over 20 years of experience in property management and market management. Mr. Li joined the Group in July 2007 as the general manager of Wuhan North Hankou Market Management Co., Ltd. and has held various positions within the Group. From May 1999 to June 2007, Mr. Li was manager of the property management department of Meijia Property Management (Wuhan) Co., Ltd. (美佳物業管理(深圳)有限公司武漢分公司). Mr. Li received a diploma in Chinese language and literature education from Hubei University (湖北大學) in 1995.

**Mr. Cao Tianbin** (曹天斌), aged 52, is the vice president of Zall Smart Commerce Group Ltd. and the president of North Hankou Group. He is mainly responsible for offline operation and property management work of the Group. Mr. Cao has approximately five years of experience in the wholesale market and investment management industry and over 19 years of experience in the operation and management of commercial projects. He joined the Group in August 2008 as the general manager of the business solicitation department of North Hankou Group Co., Ltd. and has also been the assistant to the general manager of Wuhan North Hankou Market Management Co., Ltd. since October 2009. Prior to joining our Group in August 2008, Mr. Cao served as the deputy general manager of Wuhan Wenhua Printing Co., Ltd. from August 1996 to July 2008. Mr. Cao obtained a diploma in mechanical and electronic engineering from Lanzhou University of Technology (formerly known as Gansu University of Technology) in July 1991 and a master's degree in economics from Zhongnan University of Economics and Law in December 2001.

**Mr. Yu Wei** (余偉), aged 38, is the vice president of the Group and the president of the Commodities Intelligence Centre. Mr. Yu joined the Group in October 2015 and is primarily responsible for logistics segment and technology segment of the Group, and the operation and day-to-day management of Commodities Intelligence Centre Pte. Ltd., CIC. He is a founding member of Zall Cloud Market. Prior to joining the Group, he has founded the first generation of local car travelling brand in 2012. Mr. Yu has engaged in sectors such as automobile, financing, travelling, internet, logistics platform and international bulk commodities trading for over 14 years. Mr. Yu obtained his graduate diploma in business administration from Wuhan Polytechnic University in 2006 and obtained master degree in Executive Master of Business Administration (EMBA) from China Europe International Business School in 2013.

## Biographical Details of Directors and Senior Management (continued)

**Mr. Xia Lifeng** (夏里峰先生), aged 38, is the vice president of the Group and the CEO of Zallgo, a subsidiary of the Group. He joined the Group in September 2020, and is mainly responsible for the business model innovation and daily operation and management of Zallgo. Mr. Xia has over ten years of experience in the operation, management and investment in the e-commerce and internet fields and several years of experience in industrial internet innovation practice. He also has the strategic planning, management and organizational capabilities of large-scale internet enterprises. Mr. Xia obtained a bachelor's degree in Communication Engineering from Huazhong University of Science and Technology in 2006. He worked at Huawei in his early years and participated in the establishment of PPLIVE (PPTV). Prior to joining the Group, he established Wuhan Qimi Network Technology Co., Ltd. (www.juanpi.com) and served as a director and the president.

**Mr. Sun Wei** (孫煒), aged 43, is a senior economist, the vice president of the Group and the CEO of Shenzhen Sinoagri, a subsidiary of the Group. Mr. Sun joined the Group in June 2017 upon the acquisition of 50.6% equity interest in Shenzhen Sinoagri by the Group and is primarily responsible for the coordination of Shenzhen Sinoagri's strategic positioning, overall operation and management, research and development of technology and investment projects. Mr. Sun Wei established Shenzhen Sinoagri in 2010 and obtained rich practical experience and innovative achievements in the fields of capital operation, industrial internet, supply chain finance and research and development of technology. Mr. Sun obtained a bachelor's degree in material forming and control engineering from Xi'an Jiaotong University in 2000, a master's degree in management science and engineering from Xi'an Jiaotong University in 2004 and a master degree in management in Executive Master of Business Administration (EMBA) from China Europe International Business School in 2015.

**Mr. Pan Fujie** (潘富傑), aged 43, is the CEO of Shanghai Zall Steel E-commerce Co., Ltd., a black bulk commodities industry online platform and a subsidiary of the Group. Mr. Pan joined the Group in March 2018 upon the establishment of Zall Steel in joint ventures by the Group and Xiben New Line and is primarily responsible for setting strategic objectives of the Company, business model innovation and daily operation management. Mr. Pan has nearly 20 years of experience in operations, management and investment in the domestic and foreign trading sector of black bulk commodities such as steel, coal and mineral products, as well as years of experience in industrial internet innovation and practice. He has strategic planning, management and organizational leadership capabilities for large enterprises. Mr. Pan obtained a bachelor's degree in material management and engineering from Northern Jiaotong University (北方交通大學) in 1998, a MBA degree from Tsinghua University School of Economics and Management in 2009, and a master's degree in finance from Peking University School of Economics in 2017.

**Mr. Bai Rui** (白睿), aged 41, is the CEO of HSH, a subsidiary of the Group. He joined the Group in January 2020, and is mainly responsible for the overall operation and management of HSH, the establishment of risk control system and core team. In 2010, he graduated from Shandong University with a bachelor's degree in business administration and obtained an EMBA degree from Xiamen University. Prior to joining HSH, he served as a director and the general manager of Shanghai Gangyin E-Commerce Holdings Co., Ltd. During his tenure, he completed the steady transformation of different business models under the original system, and built a "seamless trading platform" integrating spot trading, online financing, payment and settlement, warehousing and logistics and other ancillary services, providing whole-process solutions for the industrial chain.

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# Report of the Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

## GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 22 September 2010 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 14 to the consolidated financial statements. Save for the business transformation provided in the section headed "Management Discussion and Analysis" of this annual report, there were no significant changes in the nature of the Group's principal activities during the year under review.

## BUSINESS REVIEW AND PERFORMANCE

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Company's business, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2020 are provided in the section headed "Chairman's Statement" on pages 4 to 7 and the section headed "Management Discussion and Analysis" on pages 8 to 20 of this annual report. An account of the Company's relationships with its key stakeholders is included in the paragraph headed "Relationships with Employees, Suppliers and Customers" of the report of the Directors on page 33 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2020 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 8 to 20 of this annual report.

In addition, details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Company will be provided in the Environmental Social and Governance Report which will be published on the websites of the Company and the Stock Exchange within three months after the publication of this annual report.

## RESULTS AND DISTRIBUTION

The profit of the Group for the year ended 31 December 2020 is set out in the consolidated statement of profit or loss on page 73.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (corresponding period in 2019: Nil).

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# Report of the Directors (continued)

## FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2020 and the state of the Company's and the Group's affairs as at that date are set out on pages 73 to 213.

## RESERVES

Movements in the reserves of the Group during the year ended 31 December 2020 are set out on pages 77 to 78.

## DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB3,938 million (2019: RMB4,061 million).

## GROUP FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are summarized on page 218 of this annual report.

## SHARE CAPITAL

Changes in share capital of the Company for the year ended 31 December 2020 and as at that date are set out in note 30(b) to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company (the "Articles") or the laws of Cayman Islands, which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

## TAX RELIEF

The Directors are not aware of any tax relief available to shareholders by reason of their holding of the Company's securities.

## 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.

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# Report of the Directors (continued)

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 recognize and acknowledge the contributions of the Eligible Participants had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize 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 (as defined below) 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

The maximum number of shares which may be issued upon exercise of options which may be granted under the Share Option Scheme shall not in aggregate exceed 1,050,000,000 shares, representing approximately 8.91% of the issued shares of the Company as at the date of this report. As at the date of this report, the number of shares available for issue under the Share Option Scheme amounted to 988,172,050 shares, representing approximately 8.39% of the issued shares of the Company.

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# Report of the Directors (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 Rules 17.02(2) and the disclaimer required under 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 shares 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 repaid

Options granted must be taken up within 21 days of the date of offer, upon payment of HK\$1 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 will remain in force for a period of 10 years, commencing on 20 June 2011.

# Report of the Directors (continued)

## 10. Movement of Share Options during the year under review

Particulars of share options under the Share Option Scheme (the “Share Option(s)”) outstanding at the beginning and at the end of the financial year ended 31 December 2020 and Share Options granted, exercised, cancelled or lapsed during the financial year ended 31 December 2020 are as follows:

Category of participant	Date of Grant	Exercise price per share	Vesting date and exercise period	Balance as at 1 January 2020	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31 December 2020	Price per Share immediately before the date of grant	Price per Share on exercise date
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	Nil	2,283,398	HK\$8.46	N/A (Note 3)
	4 September 2018	HK\$6.66	(Note 2)	2,100,000	Nil	Nil	Nil	(900,000)	1,200,000	HK\$6.52	N/A (Note 3)
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	Nil	41,101,154	HK\$8.46	N/A (Note 3)
Mr. Cui Jinfeng (Note 4)	4 September 2018	HK\$6.66	(Note 2)	1,400,000	Nil	Nil	Nil	(1,400,000)	–	HK\$6.52	N/A (Note 3)
Ms. Min Xueqin	4 September 2018	HK\$6.66	(Note 2)	1,400,000	Nil	Nil	Nil	(600,000)	800,000	HK\$6.52	N/A (Note 3)
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	Nil	2,283,398	HK\$8.46	N/A (Note 3)
	4 September 2018	HK\$6.66	(Note 2)	26,320,000	Nil	Nil	Nil	(12,160,000)	14,160,000	HK\$6.52	N/A (Note 3)
Total				76,887,950	Nil	Nil	Nil	(15,060,000)	61,827,950		

# Report of the Directors (continued)

Notes:

1. Such Share Options shall be exercisable upon fulfillment of certain financial performance targets set out in the respective letters of grant. For further details of the financial performance targets, please refer to the paragraph headed "Management Shares and Management Option" in the circular of the Company dated 15 February 2017.
2. Subject to fulfillment of certain financial performance targets set out in the respective letters of grant, these Share Options shall be exercisable in the following manner:
  - (i) the first 30% of the Share Options shall be exercisable by the grantee commencing from the first trading date after the 12-month period from the date of grant and ending on the last trading date of the 24-month period from the date of grant. However, certain financial performance target of the first 30% of the Share Options has not been fulfilled and those Shares Options has lapsed;
  - (ii) the second 30% of the Share Options shall be exercisable by the grantee commencing from the first trading date after the 24-month period from the date of grant and ending on the last trading date of the 36-month period from the date of grant. However, certain financial performance target of the second 30% of the Share Options has not been fulfilled and those Share Options has lapsed; and
  - (iii) the remaining 40% of the Share Options shall be exercisable by the Grantee commencing from the first trading date after the 36-month period from the date of grant and ending on the last trading date of 48-month period from the date of grant.
3. No Share Options had been exercised during the financial year ended 31 December 2020.
4. Mr. Cui Jinfeng resigned as an executive Director of the Company with effect from 15 September 2020.

Save as disclosed above, there were no outstanding Share Options at the beginning and/or at the end of the year ended 31 December 2020 and there were no Share Options granted during the financial year ended 31 December 2020.

## PERFORMANCE GUARANTEE IN RESPECT OF THE ACQUISITION OF SHENZHEN SINOAGRI

Reference is made to the circular of the Company dated 15 February 2017 (the "Shenzhen Sinoagri Acquisition Circular") in relation to the acquisition of Shenzhen Sinoagri. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Shenzhen Sinoagri Acquisition Circular.

Pursuant to the Acquisition Agreement, the Performance Guarantee, together with the Lock-Up Undertaking as disclosed in the Shenzhen Sinoagri Acquisition Circular, provide the Company with a mechanism to adjust the Consideration following the completion of the Acquisition by reference to the actual performance of the Shenzhen Sinoagri for the next three or five (as the case may be) financial years from 2017 to 2021.

For the year ended 31 December 2020, the actual revenue and the actual net loss of Shenzhen Sinoagri amounted to approximately RMB38.1 billion and approximately RMB34.3 million respectively, which have not reached the Target Revenue and Target Net Profit for the financial year ended 31 December 2020 of RMB58.594 billion and RMB190 million as stated in the Acquisition Agreement respectively, and therefore the Performance Guarantee for the financial year 2020 has not been fulfilled and the Consideration will be adjusted according to the Acquisition Agreement and the Performance Guarantee set out in the Shenzhen Sinoagri Acquisition Circular.

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# Report of the Directors (continued)

## MAJOR SUPPLIERS AND CUSTOMERS

During the year under review, the aggregate sales attributable to the Group's five largest customers were less than 30%, comprised approximately 18.9% (2019: 18.1%) of the Group's total sales and the sales attributable to the Group's largest customer were approximately 5.9% (2019: 5.9%) of the Group's total sales.

The aggregate purchases during the year under review attributable to the Group's five largest suppliers were less than 30%, at approximately 17.5% (2019: 17.7%) of the Group's total purchases; and the purchases attributable to the Group's largest supplier were approximately 6.1% (2019: 5.3%) of the Group's total purchases. Purchases of the Group include purchases which are required on a regular basis to enable the Group to continue to supply its customers. Accordingly, purchases include, but not limited to, land purchased from the government and the cost of construction materials, and goods purchased from suppliers.

To the best of the knowledge of the Directors, none of the Directors, their close associates or any shareholder which owns more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers and suppliers of the Group.

## RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides a competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group's business is built on a customer-oriented culture. The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its market competitiveness within the industry, the Group aims at delivering constantly high standards and high quality products to its customers. During the year under review, there was no material and significant dispute between the Group and its suppliers and/or customers.

## INTEREST-BEARING BORROWINGS

Particulars of interest-bearing borrowings of the Group as at 31 December 2020 are set out in note 25 to the consolidated financial statements.

## DONATIONS

Charitable and other donations made by the Group during the year under review amounted to approximately RMB1 million (2019: RMB1 million).

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 11 to the consolidated financial statements.

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# Report of the Directors (continued)

## INVESTMENT PROPERTIES, PROPERTIES UNDER DEVELOPMENT AND COMPLETED PROPERTIES HELD FOR SALE

Details of the movements in the investment properties of the Group during the year are set out in note 10 to the consolidated financial statements. Particulars of investment properties, properties under development and completed properties held for sale are shown under the section of “Major Properties Information” on pages 214 to 217.

## SIGNIFICANT INVESTMENT HELD

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, 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.

Particulars of major properties (Investment Properties) of the Group as at 31 December 2020 are set out in the section headed “Major Properties Information” on pages 216 to 217 of this annual report.

## Future major investment plans and capital assets

The Group plans to continue to invest in the project of Hankou North International Commodity Exchange Center. On the basis of the maintenance of original property development advantages, it will continue to expand industrial parks, logistics parks and warehousing facilities, increase the market value of supply chain infrastructure, and build the Hankou North project into the important market hub and “China’s largest, world-leading” modern business logistics platform in the central and western regions. Except for continuing to increase its shareholding in some existing businesses, the Group has no plans to implement large-scale mergers and acquisitions. The Group plans to adopt a variety of measures to adjust the financing structure, improve operations and increase capital inflows to ensure that the Group’s capital expenditures and operating needs are met, including implementation of various strategies for the improvement of the Group’s property sales, supply chain management and trading businesses income, and investment in property rental income for additional operating cash inflow; the Group is actively and regularly reviewing the capital structure, and will consider raising additional sources of funds by issuing the debentures or new shares where appropriate; and the Group may sell non-core businesses and assets to raise more funds.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

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# Report of the Directors (continued)

## DIRECTORS

The Directors who held office in the Company during the year and up to the date of this report are:

### Executive Directors:

Mr. Yan Zhi (*Co-Chairman and Co-Chief Executive Officer*)

Dr. Gang Yu (*Co-Chairman*)

Mr. Wei Zhe, David

Mr. Qi Zhiping (*Co-Chief Executive Officer*)

Mr. Cui Jinfeng (*resigned on 15 September 2020*)

Ms. Min Xueqin

### Independent Non-Executive Directors:

Mr. Cheung Ka Fai

Mr. Wu Ying

Mr. Zhu Zhengfu

Mr. Cui Jinfeng resigned on 15 September 2020 as an executive Director of the Company due to his intention to devote more time to his office. Mr. Cui has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company need to be brought to the attention of the shareholders of the Company.

In accordance with article 84(1) of the Articles, at each annual general meeting, one-third of the Directors shall retire from office by rotation, accordingly each of Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu will retire from the office of Director by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 28 May 2021 (the "AGM").

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 21 to 26 of this annual report.

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group has adopted internal control and risk management policies to monitor the on-going compliance with relevant laws and regulations. As far as the Board is concerned, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries in all material aspects.

# Report of the Directors (continued)

## CHANGE IN INFORMATION OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, save as otherwise set out in this report, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published interim report. The Directors' updated information is set out below:

1. Mr. Wei Zhe, David ceased to act as a director of Hitevision Co., Ltd. (鴻合科技股份有限公司), which is listed on the Shenzhen Stock Exchange, in September 2020. He also ceased to act as an independent director of Fangdd Network Group Ltd., which is listed on the Nasdaq Stock Market, in November 2020.
2. Dr. Gang Yu ceased to act as an independent director of Baozun Inc., which is listed on Nasdaq Stock Market, in August 2020 and has been appointed as an independent director of Chinadata Group Holdings Limited, which is listed on Nasdaq Stock Market since September 2020.
3. Mr. Zhu Zhengfu ceased to act as an independent non-executive director of Dongjiang Environmental Co., Ltd. and Chong Kin Group Holdings Limited, both of which are listed on the Hong Kong Stock Exchange, in December 2020 and January 2021 respectively.
4. Mr. Cui Jinfeng resigned as an executive Director, a member of the risk management committee and an authorised representative of the Company on 15 September 2020.
5. Ms. Min Xueqin has been appointed as a member of the risk management committee and an authorised representative with effect from 15 September 2020.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## PERMITTED INDEMNITY PROVISION

Each Director or other officer of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain in or about the execution of the duties of his or her office or otherwise in relation thereto in accordance with the Articles. In addition, the Company has arranged appropriate directors' and officers' liability insurance cover for the Directors and officers of the Group.

## DIRECTORS' EMOLUMENTS AND EMOLUMENT POLICY

The remuneration committee of the Company (the "Remuneration Committee") considers and recommends to the Board the remuneration and other benefits paid by the Company to the Directors, taking into consideration of the recent trend of labor market, the overall emolument policy and structure of the Directors and senior management. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that the levels of their remuneration and compensation are appropriate. Details of Directors' emoluments are set out in note 7 to the consolidated financial statements.

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# Report of the Directors (continued)

## INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Details of the continuing connected transactions and material related party transactions are disclosed in this report and in note 34 to the consolidated financial statements.

Save as disclosed in this report, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director or an entity connected with a Director has a material interest in, whether directly or indirectly, or in relation to the provision of service to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries between the Company, or one of its subsidiary companies, and a controlling Shareholder or any of its subsidiaries, subsisted during or at the end of the financial year under review.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors held any interests in any competing business against the Company or any of its jointly controlled entities and subsidiaries during the year ended 31 December 2020.

## EQUITY-LINKED AGREEMENT

Save for the Share Option Scheme adopted by the Company on 20 June 2011 as disclosed in the section headed "Share Option Scheme" in this report, no equity-linked agreement was entered into during the year or subsisted at the end of the year.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

## DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" in this report, at no time during the year 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 year under review.

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

As at 31 December 2020, the interests or short positions of each Director and chief executive in the shares, underlying shares or debentures of the Company or its any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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 recorded in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Company (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:

# Report of the Directors (continued)

## Interests in shares and underlying shares of the Company

Name of director	Nature of interest	Number of ordinary shares/underlying shares in the Company as at 31 December 2020	Approximate percentage of Shareholding as at 31 December 2020 <sup>(5)</sup>
Yan Zhi	Interest of controlled corporations	6,902,684,268 (L) <sup>(1)</sup>	58.58%
	Beneficial owner	73,833,000 (L)	0.63%
Gang Yu	Beneficial owner	101,090,840 (L)	0.86%
	Interest of spouse	11,800,000 (L)	0.10%
Wei Zhe, David	Interest of a controlled corporation	132,144,000 (L) <sup>(2)</sup>	1.12%
		132,144,000 (S) <sup>(2)</sup>	1.12%
	Beneficial owner	10,746,000 (L)	0.09%
Qi Zhiping	Beneficial owner	10,746,000 (S)	0.09%
	Beneficial owner	5,886,351 (L) <sup>(3)(a)</sup>	0.05%
Min Xueqin	Interest of spouse	48,664,298 (L) <sup>(3)(b)</sup>	0.41%
	Beneficial owner	1,915,000 (L) <sup>(4)</sup>	0.02%

(L) represents long position; (S) represents short position.

### Notes:

- (1) The 6,609,022,268 shares and 293,662,000 shares are held by Zall Development Investment Company Limited ("Zall Development Investment") and Zall Holdings Company Limited respectively. Both companies are wholly owned by Mr. Yan Zhi.
- (2) The long and short positions in 89,163,000 shares are held by EJC Group Limited, a company which is indirectly owned as to 60% by Vision Knight Capital (China) Fund I, L.P., which is in turn indirectly owned as to 43.6% by Mr. Wei Zhe, David and the long and short positions in 42,981,000 shares are held by Vision Knight Capital Management Limited, a company which is directly owned as to 99% by Mr. Wei Zhe, David.
- (3) (a) These interests comprise 2,402,953 shares and 3,483,398 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 Scheme".  
(b) These interests comprise 7,563,144 shares and 41,101,154 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 Scheme".
- (4) These interests comprise 1,115,000 shares and 800,000 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 Scheme".
- (5) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2020 (11,782,825,800 ordinary shares).

## Report of the Directors (continued)

Save as disclosed above, as at 31 December 2020, 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 SHAREHOLDER(S) AND OTHER PERSONS

So far as is known to any Director, as at 31 December 2020, 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 of shareholders	Nature of interest	Number of ordinary shares/underlying shares held as at 31 December 2020	Approximate percentage of shareholding as at 31 December 2020 <sup>(3)</sup>
Zall Development Investment	Beneficial owner	6,609,022,268 (L) <sup>(1)</sup>	56.09%
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation	685,689,000 (L) <sup>(2)</sup>	5.82%
Huarong Huaqiao Asset Management Co., Ltd.	Interest of controlled corporation	685,689,000 (L) <sup>(2)</sup>	5.82%

(L) represents long position.

Notes:

- (1) Zall Development Investment is a company 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 percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2020 (11,782,825,800 ordinary shares).

There was a duplication of interest of 6,609,022,268 shares between Mr. Yan Zhi and Zall Development Investment.

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

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## Report of the Directors (continued)

Save as disclosed above, as at 31 December 2020, 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.

### SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has exercised its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company of 15% and the Company, based on the information that is publicly available to the Company and within the knowledge of the Directors, has maintained sufficient public float of the Company's securities as at the date of this report.

### RETIREMENT BENEFIT PLANS

The Group participates in a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 14%–20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

For the year ended 31 December 2020, the Group's total contributions to the retirement schemes charged in the consolidated statement of profit or loss amounted to approximately RMB13.0 million (2019: approximately RMB30.1 million).

# Report of the Directors (continued)

## CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Group conducted the following continuing connected transactions:

**(a) Lease agreement with Wuhan Z-Bank Co., Ltd.\* (武漢眾邦銀行股份有限公司) (“Wuhan Z-Bank”) dated 18 May 2017**

On 18 May 2017, Wuhan North Hankou Trade Market Investment Co., Ltd.\* (武漢漢口北商貿市場投資有限公司) (“Wuhan North Hankou”), a wholly-owned subsidiary of the Company, entered into a lease agreement (the “First Lease Agreement”) with Wuhan Z-Bank, pursuant to which Wuhan North Hankou agreed to lease certain properties located at D2 North Hankou International Trade Centre, No. 88 North Hankou Road, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC\* (中國湖北省武漢市黃陂區盤龍城經濟開發區漢口北大道88號漢口北國際商品交易中心D2區) with an aggregate area of 4,897.5 square meters to Wuhan Z-Bank for a term of three years commencing from 18 May 2017 to 17 May 2020 at a monthly rent of RMB1,469,250 and monthly property management fee of RMB24,487.50. In 2018, Wuhan North Hankou revised the lease agreement with Wuhan Z-Bank, of which the leased properties decreased to 3,360 square meters and the total rental fee for the year ended 31 December 2019 revised to RMB3,478,500.

The rental fee received from Wuhan Z-Bank under the First Lease Agreement was determined on an arm’s length basis and with reference to the prevailing market rent at the time of the First Lease Agreement. The terms of the First Lease Agreement, including the rents received from Wuhan Z-Bank under the First Lease Agreement, were entered into on an arm’s length negotiations with reference to the prevailing market rent for comparable premises in the vicinity.

Wuhan Z-Bank is directly owned as to 30% by Zall Holdings Ltd.\* (卓爾控股有限公司), a company which is owned as to 99.95% by Mr. Yan Zhi. Accordingly, Wuhan Z-Bank is an associate of Mr. Yan Zhi and is therefore a connected person of the Company under the Listing Rules, and the entering into of the First Lease Agreement constitutes continuing connected transaction of the Company, in respect of which an announcement dated 18 May 2017 was published by the Company in compliance with Chapter 14A of the Listing Rules.

For the year ended 31 December 2020, the aggregate amount of the transaction under the First Lease Agreement amounted to approximately RMB1.3 million (2019: approximately RMB3.5 million), which is within the annual cap of RMB6.8 million.

## Report of the Directors (continued)

### (b) Lease Agreement with Wuhan Zall Yueting Hotel Co., Ltd.\* (武漢卓爾悅廷酒店有限公司) (“Wuhan Zall Yueting”) dated 3 November 2017

On 3 November 2017, Wuhan North Hankou entered into a lease agreement (the “Second Lease Agreement”) with Wuhan Zall Yueting, pursuant to which Wuhan North Hankou agreed to lease certain properties located at B-1 to 17th Floor, D2 of Foreign Trading Building, No. 88 North Hankou Road, Panlongcheng, Huangpi District, Wuhan, Hubei Province, PRC\* (中國湖北省武漢市黃坡區盤龍城漢口北大道88號外貿大廈D2棟負一層至十七層) with an aggregate area of 23,347.2 square meters to Wuhan Zall Yueting for a term of three years commencing from 3 November 2017 to 2 November 2020 at the following monthly rents and monthly property management fees:

- monthly rental of RMB2,334,720 and monthly property management fee of RMB116,736 from 3 November 2017 to 2 November 2018;
- monthly rental of RMB2,568,192 and monthly property management fee of RMB116,736 from 3 November 2018 to 2 November 2019; and
- monthly rental of RMB2,801,664 and monthly property management fee of RMB116,736 from 3 November 2019 to 2 November 2020.

The rental fee received from Wuhan Zall Yueting under the Second Lease Agreement was determined on an arm’s length basis and with reference to the prevailing market rent at the time of the Second Lease Agreement. The terms of the Second Lease Agreement, including the rents received from Wuhan Zall Yueting under the Second Lease Agreement, were entered into on an arm’s length negotiations with reference to the prevailing market rent for comparable premises in the vicinity.

Wuhan Zall Yueting is wholly owned by Wuhan Zall Culture & Tourism Group Ltd.\* (武漢卓爾文旅集團有限公司), which is held as to 99.95% by Mr. Yan Zhi. Accordingly, Wuhan Zall Yueting is an associate of Mr. Yan Zhi and is therefore a connected person of the Company under the Listing Rules, and the entering into of the Second Lease Agreement constitutes continuing connected transaction of the Company, in respect of which an announcement dated 3 November 2017 was published by the Company in compliance with Chapter 14A of the Listing Rules.

For the year ended 31 December 2020, the aggregate amount of the transaction under the Second Lease Agreement, amounted to approximately RMB29.4 million (2019: approximately RMB32.7 million), which is within the annual cap of approximately RMB29.4 million.

# Report of the Directors (continued)

## (c) Strategic Framework Agreement with Wuhan Z-Bank dated 9 July 2018

On 9 July 2018, the Company entered into a strategic framework agreement (the “Framework Agreement”) with Wuhan Z-Bank in relation to (a) provision of bank deposits services by Wuhan Z-Bank to the Group; (b) provision of fund settlement, payment and other financial services by Wuhan Z-Bank to the Group; and (c) the Group referring customers to Wuhan Z-Bank for loan and credit facilities services.

The Framework Agreement was entered into for a term from 9 July 2018 to 31 December 2020 and the pricing arrangements for the above financial services are as follows:

- (1) the interest rate for deposits placed by the Group with Wuhan Z-Bank shall not be lower than the rate prescribed by The People’s Bank of China (“PBOC”) for the same type of deposit with similar terms and not lower than the interest rate for deposits of a similar nature provided to the Group by other independent commercial banks in the PRC;
- (2) the services fees charged by Wuhan Z-Bank for the provision of the fund settlement, payment and other financial services are determined according to the fee rates fixed by the PBOC or the China Banking Regulatory Commission and if such fixed fee rates are not available, the services fees are negotiated on arm’s length basis taking into account the market conditions and by reference to the fee rates charged by normal commercial banks in the PRC for comparable services; and
- (3) the Group will not receive any fee from Wuhan Z-Bank resulting from or in relation to members of the Group referring customers to Wuhan Z-Bank.

Wuhan Z-Bank is directly owned as to 30% by Zall Holdings Ltd.\* (卓爾控股有限公司), a company which is owned as to 99.95% by Mr. Yan Zhi. Accordingly, Wuhan Z-Bank is a connected person of the Company under the Listing Rules, and the entering into of the Strategic Framework Agreement constitutes continuing connected transaction of the Company, in respect of which an announcement dated 9 July 2018 was published by the Company in compliance with Chapter 14A of the Listing Rules.

For the year ended 31 December 2020, the maximum daily balance (including interests accrued thereon) of deposits placed by the Group with Wuhan Z-Bank amounted to approximately RMB130 million (2019: approximately RMB594 million) which is within the daily deposit cap of RMB2,300 million.<sup>Note</sup>

<sup>Note</sup> The Framework Agreement was expired on 31 December 2020. On 11 March 2021, the Company entered into the Renewed Strategic Framework Agreement with Wuhan Z-Bank of three years from 1 January 2021 to 31 December 2023, pursuant to which the parties agreed that the Framework Agreement shall be renewed to facilitate the continuous development of the Trading Platforms and the provision of supply chain finance services by the Group. For details, please refer to the announcement of the Company dated on 11 March 2021.

\* The English translation of the Chinese names of the companies established in PRC is for illustration purpose only.

# Report of the Directors (continued)

## CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have reviewed and confirmed that for the year ended 31 December 2020, the continuing connected transactions as set out above have been entered into by the Group:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

## CONFIRMATION BY THE AUDITOR OF THE COMPANY

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged KPMG, auditor of the Company (the "Auditor") to report on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

## RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken during the year are set out in note 34 to the consolidated financial statements. For those related party transactions that constituted connected transactions or continuing connection transactions (as the case may be) (other than those described in the section above headed "Continuing Connected Transactions"), these transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## 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, 24 May 2021 to Friday, 28 May 2021 (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, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 21 May 2021.

## AUDIT COMMITTEE

The Group's annual report for the year ended 31 December 2020 has been reviewed by the audit committee of the Company ("Audit Committee"). Information on the work of Audit Committee and its composition are set out in the Corporate Governance Report.

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# Report of the **Directors (continued)**

## **AUDITORS**

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by KPMG. KPMG will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM.

By order of the Board

**Yan Zhi**

*Co-Chairman*

Hong Kong, 31 March 2021

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# Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2020.

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Company's shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for shareholders of the Company.

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its corporate governance code of practices upon the listing of its shares on the Stock Exchange. 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 2020.

## FINANCIAL REPORTING

The Directors acknowledge their responsibilities for preparing the consolidated financial statements which give true and fair view of the Group. The Directors are aware of the Group's net current liabilities of RMB3,668,271,000 and incurred net cash outflows from operating activities of RMB185,358,000 for the year then ended and these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Further discussion on this issue has been set out in the note 1(b) to the consolidated financial statements in this report.

A statement by the Independent Auditor about its reporting and its responsibilities is set out in the Independent Auditor's Report on pages 62 to 72 of this Annual Report.

## THE BOARD

As at the date of this report, the Board consists of eight Directors, five of whom are executive Directors and three of whom are independent non-executive Directors. The composition of the Board is set out in the section headed "Corporate Information" on page 2 of this annual report.

The functions and duties conferred on the Board include convening shareholders' meetings and reporting on the work of the Board to the shareholders at shareholders' meetings as may be required by applicable laws, implementing resolutions passed at shareholders' meetings, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating the Company's proposals for dividend and bonus distributions, setting management targets and supervising the performance of management as well as exercising other powers, functions and duties as conferred on it by the Articles and applicable laws.

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## Corporate Governance Report (continued)

The senior management is delegated with the authority and responsibilities by the Board for the day-to-day management and operations of the Group.

The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. The monthly updates which gave a balanced and concise assessment of the Company's performance, position and prospects in sufficient details provided to all Directors to enable the Board as a whole and each Director to discharge his or her duty. The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company.

All Directors have separate and independent access to the Company's senior management to fulfill their duties and, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and accompanying Board/committee papers are distributed to the Directors/Board committee members with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board committees, which record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed, are kept by the company secretary and are open for inspection by Directors.

According to the Articles, any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting or the next following annual general meeting of the Company (as the case may be) and shall be eligible for re-election at that meeting. In addition, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

The biographical details of the current Board members are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 21 to 26 of this annual report. Save as otherwise disclosed, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

### Chairman and Chief Executive Officer

The role of chairman and chief executive officer are separated to reinforce independence, accountability and responsibility. Mr. Yan Zhi and Dr. Gang Yu are the co-chairman of the Company who are responsible for enabling effective operation of the Board. Mr. Yan Zhi and Mr. Qi Zhiping are the co-chief executive officer of the Company who are responsible for the day-to-day management of the Group.

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# Corporate Governance Report (continued)

## Independent non-executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of three years, subject to retirement by rotation in accordance with the Articles.

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmation, the Company considers that the three independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

During the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

## Directors and officers liabilities insurance

The Company has arranged appropriate and sufficient insurance coverage on Directors' liabilities in respect of potential legal actions taken against Directors arising out of corporate activities.

## BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established the following committees to oversee the particular aspects of the Group's affairs. Each of these committees comprises Directors who are being invited to join as members. The terms of reference of all the committees as stated below are posted on the Company's website and the Stock Exchange's website.

### AUDIT COMMITTEE

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, internal control principles and risk management of the Company, and to assist the Board to fulfill its responsibilities over audit and to monitor and perform the corporate governance duties as set out in the CG Code.

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

During the year ended 31 December 2020, the Audit Committee met five times and it has reviewed the Group's consolidated financial statements for the six months ended 30 June 2020 and for the year ended 31 December 2019 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing and financial reporting matters.

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# Corporate Governance Report (continued)

## CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Audit Committee is also responsible for determining the policy for the corporate governance of the Company performing the corporate governance duties as below:

- to develop and review the Group's policies and practices on corporate governance and make recommendations
- to review and monitor the training and continuous professional development of the directors and senior management
- to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable)
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group
- to review the Group's compliance with the CG Code and disclosure requirements in the Corporate Governance

## REMUNERATION COMMITTEE

The Remuneration Committee was established on 20 June 2011 with written terms of reference in compliance with the CG Code. The principal responsibilities of the Remuneration Committee are to formulate and recommend remuneration policy to the Board, to determine, with delegated responsibility, the remuneration of executive Directors and members of senior management, to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time and to make recommendations to the Board on the remuneration of non-executive Directors and other remuneration related issues. The Board expects the Remuneration Committee to exercise independent judgment and ensures that other Directors do not participate in the determination of their own remuneration.

The Remuneration Committee consists of two independent non-executive Directors, Mr. Zhu Zhengfu and Mr. Wu Ying, and one executive Director, Mr. Qi Zhiping. Mr. Zhu Zhengfu serves as the chairman of the Remuneration Committee.

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 share options, so as to attract and retain top quality staff. The Remuneration Committee reviews such packages annually, or when the occasion requires.

During the year, the Remuneration Committee met once to review the remuneration policy of the Company, including the structure and level of remuneration payable to the Directors and senior management of the Company and making recommendations to the Board on the annual remuneration package of each of the individual Director of the Company.

# Corporate Governance Report (continued)

## NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 20 June 2011 with its written terms of reference in compliance with the CG code. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, making recommendation to the Board on selection of candidates for directorships, appointment, reappointment of Directors and Board succession and assessing the independence of independent non-executive Directors. When considering the suitability of a candidate for directorship, the Nomination Committee also considered the "Board Diversity Policy" adopted by the Board on 30 August 2013 and the requirements under the Listing Rules. In considering the diversity of the Board, aspects including, but not limited to, gender, age, cultural and educational background, professional experience, skills and knowledge were considered. Based on the above criteria, the Nomination Committee has reviewed the composition of the Board and confirmed that the existing Board was appropriately structured and no change was required.

The Nomination Committee consists of two independent non-executive Directors, Mr. Wu Ying, and Mr. Cheung Ka Fai, and one executive Director, Mr. Yan Zhi. Mr. Wu Ying serves as the chairman of the Nomination Committee.

During the year, the Nomination Committee met once to review the structure, size and composition of the Board and considered that the current Board consists of a diverse mix of members appropriate to the requirements of the businesses of the Company. It has also considered and recommended to the Board for approval the list of retiring Directors for re-election at the 2021 AGM of the Company.

### Board Diversity Policy

The Company adopted a board diversity policy ("Board Diversity Policy") which sets out the approach to achieve and maintain diversity of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors including but not limited to, gender, age, culture, educational background, professional experience, skills, knowledge, length of service and other qualities. The ultimate selection decision will be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Nomination Committee will from time to time discuss and agree on the measurable objective for achieving diversity of the Board. For the purpose of implementation of the Board Diversity Policy, the following are the measurable objectives:

1. at least one third of the Directors shall be independent non-executive Directors;
2. at least one Director is female;
3. at least one Director shall have obtained accounting or other professional qualifications;
4. commitment in respect of available time and relevant interest of Director; and
5. accomplishment and experience in different industries.

During the year ended 31 December 2020, all the measurable objectives have been fulfilled by the Company.

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## Corporate Governance Report (continued)

### Nomination Policy

The Company adopted a nomination policy (“Nomination Policy”) which sets out, inter alia, the criteria, process and procedures in nominating and selecting candidates to be appointed or re-appointed as Directors. In the nomination and selection of new Directors, the Nomination Committee assesses the key attributes that an incoming Director should have, based on attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the Nomination Committee and/or the Board will nominate potential candidates for appointment as new Directors. In the nomination process, each Director candidate shall be considered upon evaluation against the selection criteria. External agencies and/or advisors may also be appointed by the Company to assist in the search process where necessary. New Directors are appointed by the Board, after the Nomination Committee has evaluated and approved their nominations.

The Nomination Committee had the discretion to nominate any person, as it considered appropriate.

The Nomination Policy shall also be governed by other additional and relevant requirements under the Articles and the Listing Rules applicable to the nomination, appointment, election and re-election of Directors.

### RISK MANAGEMENT COMMITTEE

The risk management committee of the Company (“Risk Management Committee”) was established on 31 March 2017 with written terms of reference in compliance with the CG Code. The purpose of establishment of the Risk Management Committee is to identify, discuss, address and review any risk or potential risk of the Company and advise the Board of the overall risk management strategies of the Company.

The Risk Management Committee consists of two independent non-executive Directors, Mr. Zhu Zhengfu and Mr. Cheung Ka Fai and one executive Director, Ms. Min Xueqin (appointed on 15 September 2020) and Mr. Cui Jinfeng (resigned on 15 September 2020). Mr. Zhu Zhengfu serves as the chairman of the Risk Management Committee.

The Risk Management Committee is responsible for advising the Board on the overall risk appetite/tolerance, risk management strategies and internal control of the Company and its subsidiaries and overseeing senior management’s implementation of those strategies established and approved by the Board and providing an independent review of the effectiveness of the strategies adopted to ensure that it aligned with the Company’s overall business objectives.

During the year, the Risk Management Committee met once to review and assess the adequacy and effectiveness of the risk management and internal control systems of the Group, and recommend to the Board for the approval of the internal control report and the risk management report respectively for the year ended 31 December 2020.

# Corporate Governance Report (continued)

## NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The individual attendance record of each Director at the meetings of the Board, general meeting of the Company, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee for the year is set out below:

	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Risk Management Committee Meeting	General Meeting
<i>Executive Directors</i>						
Mr. Yan Zhi (Co-Chairman and Co-Chief Executive Officer)	4/4	N/A	1/1	N/A	N/A	1/1
Dr. Gang Yu (Co-Chairman)	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Wei Zhe, David	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Cui Jinfeng (resigned on 15 September 2020)	4/4	N/A	N/A	N/A	1/1	1/1
Ms. Min Xueqin	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Qi Zhiping (Co-Chief Executive Officer)	4/4	N/A	N/A	1/1	N/A	1/1
<i>Independent non-executive Directors</i>						
Mr. Cheung Ka Fai	4/4	5/5	1/1	N/A	1/1	1/1
Mr. Wu Ying	4/4	5/5	1/1	1/1	N/A	1/1
Mr. Zhu Zhengfu	4/4	5/5	N/A	1/1	1/1	1/1

## DIRECTORS' TRAINING

Directors must keep abreast of their collective responsibilities and are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide to each newly appointed Director or alternative Director an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's businesses and the statutory regulatory obligations of a director of a listed company as well as the Company's constitutional documents to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements. The Group also provided briefings and other trainings to develop and refresh the Directors' knowledge and skills from time to time. Further, the Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2020, the Company has provided the Directors with written training materials or webcast training and/or updates covering topics of amendments to the Listing Rules, duties and responsibilities of Directors as well as corporate governance related matters relevant to their duties. The Directors had participated internal training of notification transaction. All the Directors, namely Mr. Yan Zhi, Dr. Gang Yu, Mr. Wei Zhe, David, Mr. Cui Jinfeng (resigned on 15 September 2020), Mr. Qi Zhiping, Ms. Min Xueqin, Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu have received the requisite training.

## Corporate Governance Report (continued)

According to the training records maintained by the Company, the training programmes received by each of the Directors during the financial year is summarised as follows:

	Attendance/ Number of seminars	Types of CPD (Note 1)	Subject of CPD (Note 2)
<i>Executive Directors:</i>			
Mr. Yan Zhi	5/5	1, 2	A, B
Dr. Gang Yu	5/5	1, 2	A, B
Mr. Wei Zhe, David	5/5	1, 2	A, B
Mr. Qi Zhiping	5/5	1, 2	A, B
Mr. Cui Jinfeng (resigned on 15 September 2020)	3/3	1, 2	A, B
Ms. Min Xueqin	5/5	1, 2	A, B
<i>Independent Non-Executive Directors:</i>			
Mr. Cheung Ka Fai	5/5	1, 2	A, B
Mr. Wu Ying	5/5	1, 2	A, B
Mr. Zhu Zhengfu	5/5	1, 2	A, B

Note 1:

1. Attending in-house briefing training, sessions, conferences or forums.
2. Reading newspapers, journals and updates.

Note 2:

- A Business related to the Company.
- B Laws, Rules and regulations, accounting standards.

### COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code for dealing in securities of the Company by the Directors. Having made specific enquiries with all Directors, all Directors have confirmed compliance with the required standards set out in the Model Code during the year ended 31 December 2020. Employees of the Group, who are likely to be in possession of unpublished inside information, have been requested to comply with provisions similar to those terms in the Model Code.

# Corporate Governance Report (continued)

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2020 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards. The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements of the Company is set out in the "Independent Auditor's Report" on pages 62 to 72 of this annual report.

## AUDITORS' REMUNERATION

For the year ended 31 December 2020, the remuneration paid or payable to the Group's auditors, KPMG, is as follows:

Items	amount (RMB'000)
Audit services	5,200
Non-audit services	–

## REMUNERATION OF SENIOR MANAGEMENT

Pursuant to Code Provision B.1.5, the remuneration of the member(s) of senior management of the Group (excluding the Directors of the Company) for the year by band is as follows:

	Number of individuals
Nil to RMB1,000,000	6
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	1

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has developed the Group's internal control, risk assessment and management systems and has overall responsibility for reviewing and maintaining an adequate and effective risk management and internal control systems to safeguard the interests of the shareholders and the assets of the Group. It evaluates the effectiveness of the systems at least annually to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting internal audit and financial reporting functions. The Company engaged external consultant every year since 2016 to facilitate the review of the Group's risk management and internal control systems. The relevant person of the Company in charge followed up the consultant's advices or recommendations so as to enhance the Group's capability in risk management and internal control. The Company has reported the work status of risk assessment to the Audit Committee and Risk Management Committee

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## Corporate Governance Report (continued)

respectively. In addition, to further enhance internal auditing monitoring and improve internal auditing independence, the Group set up the auditing department in December 2017 which reports directly to the Audit Committee and is independent from the day-by-day operation of the Group. The Group also formulated the relevant system and procedures for internal auditing. The primary functions of auditing department include forming a complete internal auditing system, drafting the annual internal auditing plan for the Group and organizing auditing duties, performing regular auditing in respect of the Group's principal operating business and reporting the results to the Board directly.

### RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Company's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminate risks, and can only provide reasonable and not absolute assurance against material misstatement or loss. We have employed a bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across functional areas.

### MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The key elements of the Company's risk management and internal control systems include the establishment of a risk register to keep track of and document identified risks, the assessment and evaluation of risks, the development and continuous updating of risk mitigation procedures, and the ongoing testing of internal control procedures to ensure their effectiveness. An ongoing risk management approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievements of its objectives. A risk matrix is adopted to determine risk rating (L = low risk, M = medium risk, H = high risk) after evaluation of the risk by the likelihood and the impact of the risk event. The risk ratings reflect the level of management attention and effort of risk treatment required.

### PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Board has already established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and waiver to the disclosure of inside information, and also compliance and reporting procedures.

### REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Company has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2020, and considered the risk management and internal control systems of the Group are effective and adequate.

# Corporate Governance Report (continued)

## MANAGEMENT OF KEY RISKS

The Group adopts a well-established risk management system to monitor its key risks and, under the leadership of the Board and senior management, identify, assess, monitor and address risks through a closed-loop mechanism. In 2020, the Company identified the following key risks:

### 1. Business objectives

The Group has been developing rapidly in recent years. While expanding the physical trade market, it has been establishing online trading service platforms to gradually promote the extensive integration of online and offline businesses and seek synergy between trade networks, in an effort to develop full-process services for enterprises and create a huge intelligent trading ecosystem. From the creation and expansion of new brands and businesses in 2018, to the establishment of corporate governance structure and risk control system in 2019, and to the improvement of operational efficiency in 2020, every step in the process of realizing the Group's strategic transformation to an intelligent trading ecosystem involves the formulation and implementation of phased objectives, large and small. If the Group makes mistakes in the planning and development of business objectives, or fails to fully and effectively communicate with employees at all levels on, and obtain their understanding and recognition of, its business objectives and the plans to achieve them, it may weaken the Group's core competitiveness and cause the Group to deviate from its expected development path or develop slower than expected. In view of this, the Group included business objective risk as one of the key risks faced by the Group in 2020.

The Group took the above business objective risk very seriously, and managed and monitored such risk from four aspects, i.e. business objective setting, progress tracking, incentive mechanism and gross profit breakdown analysis. In terms of objective setting, the Group pondered over the feasibility, correctness, timeliness and benefits of business objectives based on a variety of factors including market dynamics, industry trends, political and business environment, and its own strategic development and resources, kept monitoring the objectives and adjusted them when needed. In terms of progress tracking, based on its business objectives, the Group regularly analyzed and reviewed the objectives, assessed its core competitiveness and customer types and areas that need to be focused on, developed overall KPIs and budgets that are both qualitative and quantitative, and continued to track the degree of achievement of KPIs and budgets and analyzed the differences between performance and expectations. In addition, the Group has established an incentive mechanism to incorporate business objectives into the performance appraisal of each person in charge and link the appraisal results with their remuneration. Meanwhile, the Group further broke down revenue and expenses and analyzed the breakdown of gross profit (covering costs) horizontally and vertically by business segment. Based on the analysis results, the Group increased the resources invested in promising business segments, and then made fine adjustments according to market trends and actual needs, so as to improve the effectiveness of resource allocation and help achieve its business objectives.

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# Corporate Governance Report (continued)

## 2. Talent recruitment and training

In recent years, the strategic development of the Group involves rapid expansion across industries and fields, as it aims to build an intelligent, collaborative business ecosystem through mergers and acquisitions and joint ventures. The development of different business lines such as e-commerce, finance, warehousing & logistics, and ferrous metal trading requires talents with professional know-how, technology and industry experience. If the Group's compensation and benefits and training programs are not competitive enough, the Group may not be able to recruit or retain suitable personnel. With insufficient human capital, it will be difficult to carry out business as planned.

The Group understands that its development depends on the discovery, training and retention of talents. As such, the Group puts great emphasis on cultivating and introducing talents, and has developed a competitive compensation and benefits system based on market research results to prevent excessive brain drain. When the management considers it necessary to expand the workforce, the human resources department will look for suitable personnel with the required skills and experience through headhunting agencies and the established internal referral system. In addition, the Group has prescribed the minimum training hours for employees in writing to ensure that employees receive adequate training. When human capital needs to be further improved, the Group will provide employees with additional internal and external training resources and opportunities to help them improve their professional skills and accelerate their personal development.

## 3. Business scope

The Group is currently in the process of business transformation and upgrade, and its focus is shifting from mergers and acquisitions to integration of online and offline businesses. Accordingly, from the end of 2019 to 2020, the Group further cut down the business scope of certain segments such as Internet finance, and invested more resources in segments that can bring more synergy to Zall's intelligent trading ecosystem. If the Company misjudges the market environment, its corporate resources and the potential of new businesses, or fails to timely rectify new and old businesses that do not meet expectations, it may affect the progress of the Company's transformation and investors' confidence in the Company, and hinder the Company from standing out in the fierce competition.

In order to cope with and mitigate the above risks, the Group has established a mechanism to regularly assess online and offline businesses based on the financial data of new and old businesses, and to monitor and analyze the differences between their performance and expectations. When the differences are too large and the prospects are not optimistic, the Group will opt out of the business segments concerned and stop losses in time. In addition, the Group has adopted a variety of risk diversification measures, including increasing joint venture and equity investment in place of buy-out acquisitions and diversifying single business risks in strategic industry expansion. The Group has made a comprehensive plan for the prospects, positioning, development, division of responsibilities of each business segment, and systematically and regularly assesses the actual performance and market conditions and makes appropriate adjustments accordingly, in an effort to minimize the business scope risk and enhance investors' confidence in the Group's prospects.

# Corporate Governance Report (continued)

## 4. Resource allocation

With its rapid expansion in the fields of e-commerce, finance, supply chain management and trade in recent years, the Group understands that effective allocation of resources in various business segments is essential to the balanced development of the Group. If the Group's allocation of resources fails to fit its macro strategies and support its long- and short-term development plans, it may lead to uneven development and capacity of business segments. When there is a big development gap between business segments, the synergy between the Group's industry chains may be compromised and the Cannikin's Law may play out, which will hinder the Group's achievement of its objectives as scheduled.

In view of this, the Group has established a priority resource allocation mechanism based on a full consideration of its strategic planning, industry prospects, operating results, foreign exchange control and other factors to ensure that the funds and resources of its subsidiaries and affiliates are sufficient to support its strategic plans. In addition, while adopting diversified financing strategies such as bank financing, shareholders' capital increase, introduction of strategic investors and equity capital increase to increase financing channels, the Group introduced financial institutions such as banks through financial platforms to directly provide loans to customers in need, with a view to helping the Group spread risks.

## 5. Support from the government and financial sector

The Group's revenue mainly comes from the Internet B2B industry and commodities trading market. In recent years, the government has issued a series of regulatory policies for new economy sectors such as Internet finance and high-tech sectors, and some traditional financial institutions such as banks tend to be risk-averse under the regulatory environment. As such, it is crucial to obtain and retain support from the government and the financial sector for its operations and development. Changes in economic policies, industrial policies, regional development policies and other regulations will not only directly affect the development direction and business environment of the Group, but also influence the risk appetite of financial institutions, thus increasing the uncertainty of the Group's financing.

With a full awareness and understanding of the risk, the management of the Group keeps abreast of changes in government policies and the financial sector, and makes business strategies in line with national policies. Under the COVID-19 outbreak, the state increasingly supported private enterprises to simulate economic recovery. As the market remained optimistic about the B2B industry, the Group opportunistically made forward-looking plans, and vigorously expanded financial channels beyond traditional banks while forming closer partnership with financial institutions, in an effort to constantly improve its capital structure.

## DEED OF NON-COMPETITION

The Company has received, from each of the controlling shareholders of the Company, an annual declaration on his/her/its compliance with the undertakings contained in the deed of non-competition (the "Deed of Non-Competition") entered into by each of them in favour of the Company and the revised deed of non-competition (the "Revised Deed") entered into by each of them in favour of the Company after restructuring 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 our business including (without limitation), developing and operating large-scale, consumer product focused wholesale shopping malls in China.

The independent non-executive Directors have reviewed and were satisfied that each of the controlling shareholders of the Company has complied with the Deed of Non-Competition for the year ended 31 December 2020.

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## Corporate Governance Report (continued)

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 31 December 2020, except North Hankou Zall Life City — Phase II, all of the Remaining Non-core Projects (as defined in the Restructuring Circular) have been disposed off. North Hankou Zall Life City — Phase II is a residential project with gross floor area of approximately 207,000 square meters in North Hankou region. As satisfiable profit and cash flow could be generated from this project, the Group has hold back the project and sold part of it based on the market circumstances. As at 31 December 2020, approximately 118,000 square meters were sold and the project were substantially completed. The completion certificate by phases is in progress.

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

### DIVIDEND POLICY

The Company’s dividend policy aims to allow shareholders to participate in the Company’s profit and for the Company to retain adequate reserves for future growth. In proposing any dividend payout, the Company would consider various factors including (i) the Group’s actual and expected financial performance; (ii) general economic and financial conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; (iii) the Group’s business and operating strategies including future cash commitments and investment needs in order to maintain long-term business growth; (iv) current and future business, liquidity position and capital requirements; and (v) any other factors that the Board deems appropriate.

The Company would continually review, revise and update the dividend policy from time to time. If the Board decided to recommend, declare or pay dividends, the form, frequency and amount would depend upon the situation and applicable factors at the relevant time.

The dividend policy did not constitute a legally binding commitment that the Company would distribute any specific amount of dividends, nor would it in any hold the Company liable to declare dividends at any time to time.

No arrangement under which a shareholder has waived or agreed to waive any dividends was made by the Company.

### COMPANY SECRETARY

The company secretary of the Company (the “Company Secretary”) is responsible for facilitating the Board’s processes and communications among Board members, and with the shareholders and advising the Board on all corporate governance matters.

Ms. Foo Man Yee Carina of CS Legend Corporate Services Limited, an external services provider, has been appointed as the Company Secretary of the Company since from July 2018. Her primary contact person at the Company is Mr. Zhu Guo Hui, the chief financial officer of the Company.

# Corporate Governance Report (continued)

During the year ended 31 December 2020, the Company Secretary has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

## COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining a clear, timely and effective communication with the shareholders of the Company and investors. The Board also recognizes that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the shareholders of the Company will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at [www.zallcn.com](http://www.zallcn.com). The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Directors and members of various Board committees will attend the annual general meeting of the Company and answer any questions raised. The resolution of every important proposal will be proposed at general meetings separately. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

## SHAREHOLDER RIGHTS

### Convening an extraordinary general meeting by shareholders

Procedures for shareholders to convene an extraordinary general meeting (including making proposals/moving a resolution at the extraordinary general meeting)

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at an extraordinary general meeting.
- Eligible Shareholders who wish to convene an extraordinary general meeting for the purpose of making proposals or moving a resolution at an extraordinary general meeting must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included the details of the business(es) proposed to be transacted in the extraordinary general meeting, signed by the Eligible Shareholder(s) concerned.

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## Corporate Governance Report (continued)

- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene an extraordinary general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the memorandum and articles of associations, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

### Making enquiry to the Board

Shareholders of the Company may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to [investorrelations@zallcn.com](mailto:investorrelations@zallcn.com).

## INVESTOR RELATIONS

### Investors Communication Policy

The Company regards the communication with institutional investors as important means to enhance the transparency of the Company and collect views and feedbacks from institutional investors. To promote effective communication, the Company maintains a website at <http://www.zallcn.com>, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted.

Shareholders, investors and the media can make enquiries or putting forward proposals to the Company through the following means:

Telephone number:	852-3153 5810
By post:	Suite 2101, 21/F., Two Exchange Square, Central, Hong Kong
By email:	<a href="mailto:investorrelations@zallcn.com">investorrelations@zallcn.com</a>

## CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its constitutional documents for the year ended 31 December 2020.

# Independent Auditor's Report



**Independent auditor's report to the shareholders of  
Zall Smart Commerce Group Ltd.**

*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Zall Smart Commerce Group Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 73 to 213, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS OF OPINION

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

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

Without qualifying our opinion, we draw attention to note 1(b) to the consolidated financial statements which indicates that the Group had net current liabilities of RMB3,668,271,000 as at 31 December 2020 and incurred net cash outflows from operating activities of RMB185,358,000 for the year then ended. As explained in note 1(b) to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the ongoing support from the Group's bankers and financial institutions and the Group's ability to generate sufficient cash flows from future operations to cover the Group's operating costs and to meet its financing commitments. These conditions, along with other matters as set forth in note 1(b) 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.

# Independent Auditor's Report (continued)

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Assessing potential impairment of goodwill

Refer to note 13 to the consolidated financial statements and the accounting policies on page 86 and page 98.

#### The Key Audit Matter

As of 31 December 2020, the carrying amount of goodwill, which mainly arose from the acquisition of Shenzhen Sinoagri E-commerce Co., Ltd. in 2017 and HSH International Inc. in 2018, were RMB852 million, representing 5% of the Group's net assets at that date.

Management assesses potential impairment of goodwill on an annual basis. The impairment assessment of goodwill is carried out by management based on independent valuations of the respective cash generating units ("CGUs") prepared by a firm of qualified external valuers.

The values of CGUs are estimated based on the respective discounted cash flow forecasts prepared by the management.

The preparation of discounted cash flow forecasts involves the exercise of significant management judgement in particular in determining the key assumptions adopted, which include sales volumes, sales prices and the gross profit ratio and in calculating the discount rate applied.

#### How the matter was addressed in our audit

Our audit procedures to assess potential impairment of goodwill included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls over preparation of the discounted cash flow forecasts on which the estimation of the recoverable amount of goodwill are based;
- obtaining and inspecting the valuation report prepared by the external valuers engaged by the Group on which the management's assessments of impairment of goodwill were based;
- assessing the external valuers' qualifications, experience and expertise and considering their objectivity;
- assessing and challenging the Group's identification of CGUs and the allocation of goodwill and other assets to those CGUs with reference to the requirements of the prevailing accounting standards;

# Independent Auditor's Report (continued)

## KEY AUDIT MATTERS (Continued)

### Assessing potential impairment of goodwill (continued)

Refer to note 13 to the consolidated financial statements and the accounting policies on page 86 and page 98. (continued)

#### The Key Audit Matter (continued)

We identified assessing potential impairment of goodwill as a key audit matter because of its significance to the consolidated financial statements and because the assessment of potential impairment of goodwill are inherently subjective and require significant judgement and estimation which increases the risk of error or potential management bias.

#### How the matter was addressed in our audit (continued)

- with the assistance of our internal valuation specialists, evaluating the methodology used in the valuations of CGUs, challenging the key assumptions and critical judgements made in the preparation of the discounted cash flow forecasts prepared by management by comparing key inputs, which included sales volumes, sales prices and the gross profit ratio, with historical performance, management's budgets and forecasts and other external available information, and evaluating the discount rate applied in the discounted cash flow forecasts by assessing if the parameters adopted in calculating the discount rate was within the range of those adopted by other companies in the same industry and with similar risk profile;
- obtaining management's sensitivity analyses for the key assumptions, including sales volumes, sales prices, the gross profit ratio and the discount rate, adopted in the preparation of the discounted cash flow forecasts and assessing the impact of changes in the key assumptions on the conclusions reached by management in its impairment assessment and whether there were any indicators of management bias;
- performing a retrospective review by comparing the prior year's forecasts with the current year's results to assess the historical accuracy of management's forecasting process and whether there is any indication of any management bias; and
- assessing whether the disclosures in the consolidated financial statements in respect of the assessment of potential impairment of goodwill are reasonable with reference to the requirements of the prevailing accounting standards.

# Independent Auditor's Report (continued)

## KEY AUDIT MATTERS (Continued)

### Assessing the net realisable value of properties under development for sale and completed properties held for sale

Refer to note 19 to the consolidated financial statements and the accounting policies on page 100.

#### The Key Audit Matter

As at 31 December 2020, the Group owned properties under development for sale and completed properties held for sale located in the People's Republic of China ("PRC") with an aggregate carrying amount of RMB3,629 million, which represented 6% of the Group's total assets at that date. These properties comprise retail units and residential apartments located in the cities of Wuhan, Tianjin, Changsha and Jingzhou.

These properties are stated at the lower of cost and net realisable value. The determination of the net realisable value of these properties requires judgement and estimations, which include expected future selling prices and the costs necessary to complete the sale of these properties, and is assessed by Group management.

Recent changes in local government policies in certain cities in PRC, which affect interest rates, the required reserve ratio for banks and/or mortgage requirements for second-home buyers, could lead to volatility in property prices which could mean that write-down are necessary at the reporting date.

We identified the assessment of the net realisable value of properties under development for sale and completed properties held for sale as a key audit matter because of the significance of these properties to the Group's total assets and because the assessment of net realisable value is inherently subjective and requires significant management judgement and estimation in relation to estimating future selling prices and future construction costs which increases the risk of error or potential management bias.

#### How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of properties under development for sale and completed properties held for sale included the following:

- challenging the Group's forecast sales prices by comparing the forecast sales prices for a sample of properties to sales prices achieved before and after the reporting date and the list prices of comparable properties;
- challenging the Group's forecast of construction cost per square metre by comparison with construction costs for similar units in other areas and where there were differences, obtaining explanations from senior operational, commercial and financial management and comparing their explanations with correspondence with suppliers and comparable properties in nearby locations;
- discussing significant property development projects with the relevant project managers to identify the key drivers behind the appraisal forecasts and net realisable values, such as forecast yields and cost plans; and
- conducting site visits to properties under development for sale, on a sample basis, to observe the development progress and challenging management's development budgets reflected in the latest forecasts with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects developed by the Group.

# Independent Auditor's Report (continued)

## KEY AUDIT MATTERS (Continued)

### Valuation of investment properties

Refer to note 10 to the consolidated financial statements and the accounting policies on page 88.

#### The Key Audit Matter

The Group holds a portfolio of investment properties, including completed investment properties and investment properties under development located in PRC with a carrying value of RMB29,502 million which accounted for 47% of the Group's total assets as at 31 December 2020. These properties comprise logistic units, e-commerce malls and wholesale shopping malls.

The fair values of investment properties as at 31 December 2020 were assessed by the directors based on valuations prepared by a firm of qualified external property valuers. The net changes in fair value of investment properties recorded in the consolidated statement of profit or loss represented 28% of the Group's loss before taxation for the year ended 31 December 2020.

We identified valuation of the Group's investment properties as a key audit matter because of the significance of investment properties to the Group's total assets and the significance of changes in fair value of investment properties to the Group's loss before taxation and because the valuation of investment properties can be inherently subjective and requires significant management judgement and estimation which increases the risk of error or potential management bias, particularly given the number and the diverse nature and location of the investment properties held by the Group.

#### How the matter was addressed in our audit

Our audit procedures to assess the valuation of investment properties included the following:

- obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group and on which the directors' assessment of the fair values of investment properties was based;
- assessing the external property valuers' qualifications, experience and expertise in the properties being valued and considering their objectivity;
- with the assistance of our internal property valuation specialists, discussing with the external property valuers, without the presence of management, their valuation methodology and challenging the key estimates and assumptions adopted in the valuations by comparing capitalisation rates, prevailing market rents and comparable market transactions with available market data;
- conducting site visits to investment properties under development, on a sample basis, to observe the development progress and challenging management's development budgets reflected in the valuations with reference to market statistics about estimated construction costs, signed construction contracts and/or unit construction costs of recently completed projects developed by the Group; and
- assessing whether the disclosures in the consolidated financial statements in respect of valuation of investment properties are reasonable with reference to the requirements of the prevailing accounting standards.

# Independent Auditor's Report (continued)

## KEY AUDIT MATTERS (Continued)

### Loss allowance for loans and factoring receivables

Refer to note 21(b) to the consolidated financial statements and the accounting policies on page 93.

#### The Key Audit Matter

As of 31 December 2020, the carrying amount of loans and factoring receivables were RMB1,602 million, representing 3% of the Group's total assets at that date.

The determination of loss allowance using the expected credit loss model ("ECL model") is subject to a number of key parameters and assumptions, including the identification of credit-impaired stage, estimates of probability of default, loss given default, exposures at default, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.

#### How the matter was addressed in our audit

Our audit procedures to assess the loss allowance for loans and factoring receivables included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and factoring receivables, the identification of the three stages of the ECL model and the measurement of the loss allowance;
- with the assistance of our internal valuation specialists, assessing the reliability of the expected credit loss model used by management in determining allowances for impairment losses, and the appropriateness of the key parameters and assumptions in the expected credit loss model, which includes the identification of credit-impaired stage, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other management adjustments;

# Independent Auditor's Report (continued)

## KEY AUDIT MATTERS (Continued)

### Loss allowance for loans and factoring receivables (continued)

Refer to note 21(b) to the consolidated financial statements and the accounting policies on page 93. (continued)

#### The Key Audit Matter (continued)

We identified loss allowance for loans and factoring receivables as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.

#### How the matter was addressed in our audit (continued)

- assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model:
  - for key parameters derived from internal data relating to loans and factoring agreements, we selected samples and compared individual loans and factoring receivables information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loans and factoring receivables list;
  - for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;

# Independent Auditor's Report (continued)

## KEY AUDIT MATTERS (Continued)

### Loss allowance for loans and factoring receivables (continued)

Refer to note 21(b) to the consolidated financial statements and the accounting policies on page 93. (continued)

#### The Key Audit Matter (continued)

#### How the matter was addressed in our audit (continued)

- for selected samples of loans and factoring receivables that are credit-impaired, evaluating management's assessment of the value of any collateral held by comparison with market prices obtained from secondary markets. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms;
- recalculating the amount of credit loss allowance for 12 months and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of loans and factoring receivables where the credit risk of the loans and factoring receivables have not, or have, increased significantly since initial recognition, respectively; and
- evaluating whether the disclosures on impairment of loans and factoring receivables are reasonable with reference to the disclosure requirements in International Financial Reporting Standard 7 — Financial Instruments: Disclosures.

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# Independent Auditor's Report (continued)

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. We obtained management discussion and analysis prior to the date of this auditor's report and expect the remaining other information to be made available to us after that date.

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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# Independent Auditor's Report (continued)

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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# Independent Auditor's Report (continued)

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Liu Hin Pan.

### **KPMG**

*Certified Public Accountants*

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

31 March 2021

# Consolidated Statement of Profit or Loss

for the year ended 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
<b>Revenue</b>	3(a)	<b>72,769,426</b>	72,898,756
Cost of sales		<b>(71,535,695)</b>	(71,673,845)
<b>Gross profit</b>		<b>1,233,731</b>	1,224,911
Other net income/(loss)	4	<b>248,692</b>	(756,289)
Selling and distribution expenses		<b>(169,145)</b>	(197,009)
Administrative and other expenses		<b>(621,362)</b>	(662,097)
Impairment loss on trade and other receivables	5(c)	<b>(440,621)</b>	(246,229)
Impairment loss on intangible assets	12	<b>(126,484)</b>	(20,300)
Impairment loss on goodwill	13	<b>(199,437)</b>	(258,327)
<b>Loss from operations before changes in fair value of investment properties</b>		<b>(74,626)</b>	(915,340)
Net valuation (loss)/gain on investment properties	10	<b>(420,879)</b>	2,533,075
<b>(Loss)/profit from operations</b>		<b>(495,505)</b>	1,617,735
Finance income	5(a)	<b>248,040</b>	175,443
Finance costs	5(a)	<b>(1,294,190)</b>	(1,112,535)
Share of net profits of associates	15	<b>30,445</b>	8,313
Share of net losses of joint ventures	16	<b>(2,458)</b>	(1,895)
Reversal of impairment loss on investment in an associate		<b>14,973</b>	–
<b>(Loss)/profit before taxation</b>	5	<b>(1,498,695)</b>	687,061
Income tax credit/(expense)	6(a)	<b>149,457</b>	(629,542)
<b>(Loss)/profit for the year</b>		<b>(1,349,238)</b>	57,519
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(1,260,450)</b>	92,797
Non-controlling interests		<b>(88,788)</b>	(35,278)
<b>(Loss)/profit for the year</b>		<b>(1,349,238)</b>	57,519
<b>(Losses)/earnings per share (RMB cents)</b>			
Basic	9(a)	<b>(10.71)</b>	0.79
Diluted	9(b)	<b>(10.71)</b>	0.79

The notes on pages 81 to 213 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the loss for the year are set out in note 30(e).

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
<b>(Loss)/profit for the year</b>		<b>(1,349,238)</b>	57,519
<b>Other comprehensive (loss)/income for the year (after tax and reclassification adjustments)</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income/(loss) of an associate	15	<b>5,532</b>	(1,450)
Exchange differences on translation of:			
— financial statements of operations outside Mainland China		<b>(9,580)</b>	8,220
<b>Other comprehensive (loss)/income for the year</b>		<b>(4,048)</b>	6,770
<b>Total comprehensive (loss)/income for the year</b>		<b>(1,353,286)</b>	64,289
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(1,264,762)</b>	98,237
Non-controlling interests		<b>(88,524)</b>	(33,948)
<b>Total comprehensive (loss)/income for the year</b>		<b>(1,353,286)</b>	64,289

The notes on pages 81 to 213 form part of these financial statements.

# Consolidated Statement of Financial Position

at 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
<b>Non-current assets</b>			
Investment properties	10	29,502,397	29,168,628
Property, plant and equipment	11	435,766	331,515
Intangible assets	12	550,401	715,058
Goodwill	13	852,167	990,637
Interests in associates	15	505,415	460,936
Interests in joint ventures	16	23,570	24,279
Equity investments at fair value through other comprehensive income	17	8,702	8,702
Contract assets	20(a)	342,145	339,388
Deferred tax assets	29(b)	322,816	247,611
		<b>32,543,379</b>	32,286,754
<b>Current assets</b>			
Financial assets at fair value through profit or loss	18	3,851,385	4,794,964
Inventories	19	4,531,012	5,833,647
Prepaid taxes	29(a)	23,219	20,538
Trade and other receivables	21	12,605,216	11,733,935
Amounts due from related parties	34(c)	649,068	820,919
Fixed deposits with banks with original maturity over three months		–	30,014
Pledged bank deposits	22	6,695,764	4,680,345
Cash and cash equivalents	23	1,184,708	1,243,944
		<b>29,540,372</b>	29,158,306
Non-current assets held for sale		44,179	44,179
		<b>29,584,551</b>	29,202,485
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss	18	155,959	315,674
Trade and other payables	24	12,961,264	13,609,439
Contract liabilities	20(b)	4,025,312	3,054,538
Lease liabilities	26	15,108	13,531
Amounts due to related parties	34(c)	138,717	95,072
Interest-bearing borrowings	25	15,408,557	14,017,079
Current taxation	29(a)	547,905	502,170
		<b>33,252,822</b>	31,607,503
<b>Net current liabilities</b>		<b>(3,668,271)</b>	(2,405,018)
<b>Total assets less current liabilities</b>		<b>28,875,108</b>	29,881,736

# Consolidated Statement of Financial Position (continued)

at 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
<b>Non-current liabilities</b>			
Interest-bearing borrowings	25	5,271,025	4,473,534
Deferred income		9,073	8,612
Lease liabilities	26	19,870	12,190
Amounts due to related parties		–	373,230
Deferred tax liabilities	29(b)	5,240,684	5,391,696
		<b>10,540,652</b>	10,259,262
<b>NET ASSETS</b>			
		<b>18,334,456</b>	19,622,474
<b>CAPITAL AND RESERVES</b>			
	30		
Share capital		32,733	32,733
Reserves		17,837,396	19,046,261
<b>Total equity attributable to equity shareholders of the Company</b>		<b>17,870,129</b>	19,078,994
<b>Non-controlling interests</b>		<b>464,327</b>	543,480
<b>TOTAL EQUITY</b>		<b>18,334,456</b>	19,622,474

Approved and authorised for issue by the board of directors on 31 March 2021.

**Yan Zhi**

*Co-chairman, Executive Director and  
Co-chief executive officer*

**Min Xueqin**

*Executive Director*

The notes on pages 81 to 213 form part of these financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2020 (Expressed in Renminbi)

	Attributable to equity shareholders of the Company													Total equity RMB'000
	Note	Share capital	Share premium	Shares held for various incentive plans	PRC statutory reserve	Other reserve	Exchange reserve	Revaluation reserve	Equity-settled share-based payment reserve	Fair value reserve (non-recycling)	Retained profits	Total	Non-controlling interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2019</b>		32,437	4,524,302	(396,687)	450,439	154,664	(145,920)	36,946	221,077	(2,848)	13,905,182	18,779,592	829,221	19,608,813
<b>Changes in equity for 2019:</b>														
Profit for the year		-	-	-	-	-	-	-	-	-	92,797	92,797	(35,278)	57,519
Other comprehensive income:														
— Share of other comprehensive loss of an associate		-	-	-	-	-	(1,450)	-	-	-	-	(1,450)	-	(1,450)
— Exchange differences on translation of financial statements of operations outside Mainland China		-	-	-	-	-	6,890	-	-	-	-	6,890	1,330	8,220
<b>Total comprehensive income</b>		-	-	-	-	-	5,440	-	-	-	92,797	98,237	(33,948)	64,289
Acquisition of non-controlling interest of subsidiaries		296	172,066	-	-	(5,614)	-	-	-	-	-	166,748	(229,147)	(62,399)
Appropriation to statutory reserve	30(c)(ii)	-	-	-	60,916	-	-	-	-	-	(60,916)	-	-	-
Dividends to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(6,237)	(6,237)
Equity-settled share-based payment for employee	28	-	(35,932)	78,183	-	3,067	-	-	(38,407)	-	-	6,911	(3,157)	3,754
Equity-settled share-based payment for non-employee	28	-	(21,733)	69,869	-	-	-	-	(20,211)	-	-	27,925	-	27,925
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	222	222
Disposal of subsidiaries		-	-	-	(3,129)	(419)	-	-	-	-	3,129	(419)	(13,474)	(13,893)
<b>Balance at 31 December 2019</b>		32,733	4,638,703	(248,635)	508,226	151,698	(140,480)	36,946	162,459	(2,848)	13,940,192	19,078,994	543,480	19,622,474

# Consolidated Statement of Changes in Equity (continued)

for the year ended 31 December 2020 (Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company												
	Share capital RMB'000 30(b)	Share premium RMB'000 30(c)(i)	Shares held for various incentive plans RMB'000	PRC statutory reserve RMB'000 30(c)(ii)	Other reserve RMB'000 30(c)(v)	Exchange reserve RMB'000 30(c)(iii)	Revaluation reserve RMB'000 30(c)(vi)	Equity-settled share-based payment reserve RMB'000 30(c)(iv)	Fair value reserve (non-recycling) RMB'000 30(c)(vii)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>Balance at 1 January 2020</b>	<b>32,733</b>	<b>4,638,703</b>	<b>(248,635)</b>	<b>508,226</b>	<b>151,698</b>	<b>(140,480)</b>	<b>36,946</b>	<b>162,459</b>	<b>(2,848)</b>	<b>13,940,192</b>	<b>19,078,994</b>	<b>543,480</b>	<b>19,622,474</b>
<b>Changes in equity for 2020:</b>													
Loss for the year	-	-	-	-	-	-	-	-	-	(1,260,450)	(1,260,450)	(88,788)	(1,349,238)
Other comprehensive loss													
— Share of other comprehensive income of an associate	-	-	-	-	-	5,532	-	-	-	-	5,532	-	5,532
— Exchange differences on translation of financial statements of operations outside Mainland China	-	-	-	-	-	(9,844)	-	-	-	-	(9,844)	264	(9,580)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,312)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,260,450)</b>	<b>(1,264,762)</b>	<b>(88,524)</b>	<b>(1,353,286)</b>
Acquisition of non-controlling interest of subsidiaries	-	-	-	-	(2,640)	-	-	-	-	-	(2,640)	71	(2,569)
Reclassification of convertible preference shares	18(iii)	-	-	-	4,857	-	-	-	-	-	4,857	289	5,146
Appropriation to statutory reserve	30(c)(ii)	-	-	28,258	-	-	-	-	-	(28,258)	-	-	-
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(2,909)	(2,909)
Equity-settled share-based payment for employee	28	-	-	-	8,756	-	-	(28,078)	-	-	(19,322)	(8,756)	(28,078)
Equity-settled share-based payment for non-employee	28	(126,385)	209,606	-	-	-	-	(80,681)	-	-	2,540	-	2,540
Disposal of subsidiaries	-	-	-	(933)	13	-	-	-	-	-	(920)	(10,742)	(11,662)
Capital injection from non-controlling interest of subsidiaries	-	-	-	-	71,382	-	-	-	-	-	71,382	31,418	102,800
<b>Balance at 31 December 2020</b>	<b>32,733</b>	<b>4,512,318</b>	<b>(39,029)</b>	<b>535,551</b>	<b>234,066</b>	<b>(144,792)</b>	<b>36,946</b>	<b>53,700</b>	<b>(2,848)</b>	<b>12,651,484</b>	<b>17,870,129</b>	<b>464,327</b>	<b>18,334,456</b>

The notes on pages 81 to 213 form part of these financial statements.

# Consolidated Cash Flow Statement

for the year ended 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
<b>Operating activities</b>			
Cash (used in)/generated from operations	23(b)	(163,538)	144,126
Income tax paid		(21,820)	(30,910)
<b>Net cash (used in)/generated from operating activities</b>		<b>(185,358)</b>	<b>113,216</b>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment and investment properties		(198,960)	(118,629)
Payment for the purchase of intangible assets		(19,772)	(59,123)
Proceeds from disposal of property, plant and equipment		2,584	1,671
Proceeds from disposal of investment properties		–	9,609
Placement of fixed deposits at banks with original maturity over three months		–	(30,014)
Maturity of fixed deposits at banks with original maturity over three months		30,014	203,287
Interest received		191,850	163,909
Net cash outflow arising from the acquisition of subsidiaries	23(e)	(52,814)	(30,345)
Net proceeds from disposal of subsidiaries		344,684	201,717
Payment for investment in associates		(24,148)	(9,000)
Payment for investment in joint ventures		(1,749)	(1,160)
Net proceeds from liquidation of a joint venture		–	505
Dividend received from an associate		14,310	–
Purchase of wealth management products and trust products		(3,435,988)	(4,147,701)
Proceeds from disposal of listed equity securities		–	3,975
Cash receipt from maturity of wealth management products and trust products		4,399,425	3,457,720
Payment for acquisition of non-controlling interest of a subsidiary		–	(277,000)
Advance to related parties		(1,047,715)	(3,610,220)
Repayment from related parties		1,340,645	2,802,175
Others		(29,020)	–
<b>Net cash generated from/(used in) investing activities</b>		<b>1,513,346</b>	<b>(1,438,624)</b>

# Consolidated Cash Flow Statement (continued)

for the year ended 31 December 2020 (Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
<b>Financing activities</b>			
Capital element of lease rentals paid	23(c)	(14,878)	(14,123)
Advance from related parties	23(c)	86,524	371,295
Repayment to related parties	23(c)	(399,351)	(543,648)
Proceeds from new bank loans and loans from other financial institutions	23(c)	13,742,095	9,920,876
Repayment of bank loans and loans from other financial institutions	23(c)	(11,263,342)	(8,233,736)
Proceeds from other loans	23(c)	13,217,452	12,264,548
Repayment of other loans	23(c)	(13,542,774)	(9,627,261)
Increase in pledged bank deposits		(2,015,419)	(1,615,615)
Interest and other borrowing costs paid		(1,289,599)	(1,066,802)
Interest element of lease rentals paid	23(c)	(1,144)	(1,241)
Dividend paid to non-controlling interests of subsidiaries		(2,909)	(6,237)
Proceeds from capital injection from non-controlling interests		102,800	–
<b>Net cash (used in)/generated from financing activities</b>		<b>(1,380,545)</b>	1,448,056
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(52,557)</b>	122,648
Cash and cash equivalents at 1 January	23(a)	1,243,944	1,118,626
Effect of foreign exchange rate changes		(6,679)	2,670
<b>Cash and cash equivalents at 31 December</b>	23(a)	<b>1,184,708</b>	1,243,944

The notes on pages 81 to 213 form part of these financial statements.

# Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

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

The consolidated financial statements for the year ended 31 December 2020 comprise Zall Smart Commerce Group Ltd. (the “Company”) and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and joint ventures.

The measurement basis used in the preparation of the 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:

- equity investments at fair value through other comprehensive income and financial assets at fair value through profit or loss (see note 1(g));
- investment properties, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest (see note 1(i));
- derivative financial instruments (see note 1(h)); and
- contingent considerations recognised in business combinations (see note 1(d)).

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(bb)).

The consolidated financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand. Items included in the 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 (“PRC”) and their functional currency is RMB, hence, RMB is used as the presentation currency of the Group.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

As at 31 December 2020, the Group had net current liabilities of RMB3,668,271,000 (31 December 2019: RMB2,405,018,000) and incurred net cash outflows from operating activities of RMB185,358,000 for the year then ended (2019: net cash inflows from operating activities of RMB113,216,000). 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. 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 sales of properties, supply chain management and trading business and rentals from investment properties to generate additional operating cash inflows and putting extra efforts on the collection of trade debtors to improve the debtor turnover days;
- the Group is actively and regularly reviewing its capital structure and will consider raising additional capital by issuing bonds or new shares, where appropriate;
- the Group may dispose of non-core business and assets to raise additional capital.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In addition, as disclosed in note 25 and note 31(b), bank loans and loans from other financial institutions of RMB10,310,334,000 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 2020 (31 December 2019: RMB10,195,942,000). 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 financial statements have 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.

### (c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, Definition of a Business
- Amendment to IFRS 16, Covid-19-Related Rent Concessions

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

#### **Amendments to IFRS 3, Definition of a Business**

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The adoption of Amendments to IFRS 3, *Definition of a Business*, does not have any material impact on the financial position and the financial result of the Group.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### **Amendment to IFRS 16, Covid-19-Related Rent Concessions**

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 11). There is no impact on the opening balance of equity at 1 January 2020.

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

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. The consideration transferred in the acquisition is generally measured at fair value. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(r).

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(m)(iii)).

### (e) Associates and joint ventures

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

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

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (m)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Associates and joint ventures (Continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the expected credit loss model ("ECL model") to such other long-term interests where applicable (see note 1(m)(i)).

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

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

In the Company's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see note 1(m)(iii)).

### (f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(m)(iii)).

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities and investment in wealth management products and trust products, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 31(f). These investments are subsequently accounted for as follows, depending on their classification.

### (i) Investments other than equity investments

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(y)(vi)).
- fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL), if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Other investments in debt and equity securities (Continued)

#### (ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(y)(v).

### (h) Derivative financial instruments

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

### (i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(y)(iv).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)(iii)):

- interests in leasehold land and buildings held for own use where the Group is the registered owner of the property interest (see note 1(l));
- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 1(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(aa)).

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

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

- The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired terms of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.
- Motor vehicles 3–10 years
- Furniture, office equipment and others 3–8 years

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

Transfers from property, plant and equipment to investment properties shall be made when, and only when, there is a change in use, evidenced by end of owner-occupation. If an owner-occupied property becomes an investment property that will be carried at fair value, any difference at the date of the change in use between the carrying amount of the property and its fair value is recognised as a revaluation of property, plant and equipment, even if the property was previously measured using the cost model. Any existing or arising revaluation surplus previously recognised in other comprehensive income ("OCI") is not transferred to profit or loss at the date of transfer or on subsequent disposal of the investment property.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(m)(iii)).

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

— unfinished contracts	2 years
— software	3–10 years
— favorable contracts	2.5 years
— customer relationship	20 years
— trademark	8 years

Both the period and method of amortisation are reviewed annually.

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

### (l) Leased assets

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Leased assets (Continued)

#### (i) As a lessee

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

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

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(j) and 1(m)(iii)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment properties are carried at fair value in accordance with note 1(i); and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 1(n).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (I) Leased assets (Continued)

#### (i) As a lessee (Continued)

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

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

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

#### (ii) As a lessor

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

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(y)(iv).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(l)(i), then the Group classifies the sub-lease as an operating lease.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (i) Credit losses from financial instruments, contract assets and lease receivables

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

- financial assets measured at amortised cost (including cash and cash equivalents, fixed deposits with banks with original maturity over three months, pledged bank deposits, trade and other receivables and amounts due from related parties);
- contract assets as defined in IFRS 15 (see note 1(o));
- lease receivables; and
- financial guarantee contracts issued (see note 1(m)(ii)).

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

#### *Measurement of ECLs*

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

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

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivables.

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

##### *Measurement of ECLs (Continued)*

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

##### *Significant increases in credit risk*

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

##### *Significant increases in credit risk (Continued)*

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

##### *Basis of calculation of interest income*

Interest income recognised in accordance with note 1(y)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

*Basis of calculation of interest income (Continued)*

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

*Write-off policy*

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

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (ii) Credit losses from financial guarantees issued

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

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

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see note 1(y)(viii)).

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

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(m)(i) apply.

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill; and
- investment in subsidiaries, associates and joint ventures.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(m)(i) and (ii)).

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

### (n) Inventories

Inventories are assets which are held for sale in the ordinary course of business or in the rendering of services and are carried at the lower of cost and net realisable value as follows:

#### — Supply chain management and trading

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

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Inventories (Continued)

- Property development

Cost and net realisable values are determined as follows:

- Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of interests in leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(aa)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

- Completed property held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

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

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(y)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(m)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(p)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(y)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(p)).

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(y)).

### (p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(o)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(m)(i)).

### (q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(m)(i).

### (r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(m)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (s) Convertible preference shares

Convertible preference shares issued by a subsidiary of the Group can be converted into ordinary shares of the subsidiary at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the subsidiary or agreed by majority of the holders, which is classified as equity in the consolidated statement of financial position.

### (t) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing cost (see note 1(aa)).

### (u) Employee benefits

#### Short-term employee benefits and contributions to defined contribution retirement plans

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

### (v) Share-based payments

#### Equity-settled share-based payment transaction with employee

The fair value of share options or shares granted to eligible persons is recognised as an expense with a corresponding increase in share-based payment reserve within equity. The fair value is measured at grant date using the binomial lattice model, Asian put option Pricing model or market price taking into account the terms and conditions (including lock up period) upon which the options and shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options or shares, the total estimated fair value of the options or shares is spread over the vesting period, taking into account the probability that the options or the shares will vest.

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Share-based payments (Continued)

#### Equity-settled share-based payment transaction with non-employee

For equity-settled share-based payment transaction with parties other than employees, the fair value of shares granted for services received is recognised as an expense with a corresponding increase in share-based payment reserve within equity when service are received. The fair value of the equity-settled share-based payment transaction with non-employee is measured with reference to the fair value of the equity instruments granted.

### (w) Income tax

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

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

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

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

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (w) Income tax (Continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (x) Provisions and contingent liabilities

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

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

### (y) Revenue and other income

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

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

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

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

#### (i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products, that is when the goods ownership transfer certificate is issued to customers, goods are picked up at the third parties' premises or goods are delivered at the customers' premises.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (ii) Sale of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 1(o)).

It is common for the Group to receive payments in advance of revenue recognition in the Group's sales of properties when properties are marketed by the Group while the property is still under construction. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the revenue recognition date. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under IAS 23, Borrowing costs, in accordance with the policies set out in note 1(aa).

#### (iii) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

#### (v) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

#### (vi) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(m)(i)).

#### (vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (viii) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see note 1(m)(ii)).

#### (ix) Service income

Service income in relation to logistics service, warehousing service, procurement service and other related ancillary services are recognised when such services are provided to customers.

### (z) Translation of foreign currencies

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

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

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (aa) Borrowing costs

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

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

### (bb) Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below) are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, the non-current asset is not depreciated or amortised.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (cc) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (dd) Segment reporting

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

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

## 2 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

Notes 10, 13, 28 and 31 contain information about the assumptions and their risk factors relating to the valuation of investment properties, goodwill impairment, fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

### (a) Net realisable value of properties under development for sale and completed properties held for sale

As explained in note 1(n), the Group's properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling price, the costs of completion in cases for properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the property market in PRC and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 2 ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

### (b) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the ECLs. This requires the use of estimates and judgements. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

#### **Trade debtors and bills receivables**

ECLs on trade debtors and bills receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

#### **Loans and factoring receivables**

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

### (c) Valuation of investment properties

As described in note 1(i), investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents and market price for similar properties in the same location, and condition, appropriate discount rates and expected future market rents.

In relying on the valuation report, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 2 ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

### (d) Determining the deferred taxation on investment properties

The Group has leased out certain of the completed properties to third parties whereby the directors consider that such arrangement is not temporary. In the circumstance, the Group has decided to treat those properties as investment properties (and reclassifying them from completed properties held for sale to investment properties) because it is the Group's intention to hold these properties in long-term for rental income and/or capital appreciation.

Under IAS 12, deferred tax is required to be measured with reference to the tax consequences that would follow the manner in which the entity expects to recover the carrying amount of the assets in question. In this regard, IAS 12 has a rebuttable presumption that the carrying amount of investment property carried at fair value under IAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

In this connection, the Group has reviewed its investment property portfolio on a regular basis and has concluded that as at 31 December 2020, the Group has determined that each of these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in IAS 12 is rebutted for these properties. As a result, the Group has continued to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use.

### (e) Impairment of non-current assets

Internal and external sources of information are reviewed by the Group at the end of each reporting period to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset or the cash-generating unit to which it belongs is estimated to determine impairment losses on the asset by reference to value in use and fair value less costs of disposal. Value in use is determined using the discounted cash flow method. Due to inherent risk associated with estimations in the timing and magnitude of the future cash flows, the estimated recoverable amount of the assets may be different from its actual recoverable amount and the Group's profit or loss could be affected by the accuracy of the estimations. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amount, which would affect profit or loss in future years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually even if there is no indication of impairment.

# Notes to the Consolidated Financial Statements (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, and providing supply chain management and trading business, e-commerce services, financial services, warehousing and logistics services for the online and offline customers in PRC. 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 service lines is as follows:

	2020 RMB'000	2019 RMB'000
<b>Revenue from contracts with customers within the scope of IFRS 15:</b>		
Disaggregated by major products or service lines		
— Revenue from sales of properties and related services	404,674	127,363
— Revenue from supply chain management and trading business	71,443,714	71,748,471
— Revenue from construction contracts	2,757	9,512
— Others	34,202	18,937
	<b>71,885,347</b>	71,904,283
<b>Revenue from other sources</b>		
Gross rentals from investment properties		
— Lease payments that are fixed	718,881	769,097
Financing income	100,641	160,886
Others	64,557	64,490
	<b>72,769,426</b>	72,898,756

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 3(b)(i) and 3(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 2020 (2019: nil). Detail of credit risk are set out in note 31(a).

# Notes to the Consolidated Financial Statements (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 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB388,488,000 (2019: RMB767,646,000). 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 (see note 1(y)(ii)). 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 (2019: 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 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., also provides trading related supply chain finance services.

# Notes to the Consolidated Financial Statements (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 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.

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 are 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 Consolidated Financial Statements (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 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 2020 and 2019 is set out below.

	Property development and related services		Supply chain management and trading		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
<b>Disaggregation by timing of revenue recognition</b>						
Point in time	324,636	72,510	71,292,441	71,571,635	71,617,077	71,644,145
Over time	866,233	897,952	251,914	315,684	1,118,147	1,213,636
Revenue from external customers	1,190,869	970,462	71,544,355	71,887,319	72,735,224	72,857,781
Inter-segment revenue	-	-	-	-	-	-
<b>Reportable segment revenue</b>	<b>1,190,869</b>	<b>970,462</b>	<b>71,544,355</b>	<b>71,887,319</b>	<b>72,735,224</b>	<b>72,857,781</b>
Reportable segment profit/(loss)	303,141	323,706	(295,087)	(134,886)	8,054	188,820
Net valuation (loss)/gain on investment properties	(420,879)	2,533,075	-	-	(420,879)	2,533,075
Finance income	1,406	1,046	246,621	174,318	248,027	175,364
Finance costs	(841,798)	(555,722)	(449,841)	(424,512)	(1,291,639)	(980,234)
Depreciation and amortisation	(18,223)	(13,852)	(48,644)	(39,776)	(66,867)	(53,628)
Share of net losses of associates	-	-	(5,341)	(1,152)	(5,341)	(1,152)
Share of net losses of joint ventures	-	(495)	(2,458)	(1,400)	(2,458)	(1,895)
<b>Reportable segment assets</b>	<b>36,024,988</b>	<b>38,109,729</b>	<b>24,283,306</b>	<b>21,394,947</b>	<b>60,308,294</b>	<b>59,504,676</b>
Additions to non-current segment assets during the year	19,894	7,737	100,319	72,304	120,213	80,041
<b>Reportable segment liabilities</b>	<b>10,431,872</b>	<b>12,255,291</b>	<b>23,709,951</b>	<b>20,667,873</b>	<b>34,141,823</b>	<b>32,923,164</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

#### (ii) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

##### Revenue

	2020 RMB'000	2019 RMB'000
Reportable segment revenue	72,735,224	72,857,781
Other revenue	34,202	40,975
Consolidated revenue (note 3(a))	<b>72,769,426</b>	72,898,756

##### Profit

	2020 RMB'000	2019 RMB'000
Reportable segment profit derived from the Group's external customers	8,054	188,820
Other net income/(loss)	248,692	(756,289)
Net valuation (loss)/gain on investment properties	(420,879)	2,533,075
Finance income	248,040	175,443
Finance costs	(1,294,190)	(1,112,535)
Share of net profits of associates	30,445	8,313
Share of net losses of joint ventures	(2,458)	(1,895)
Reversal of impairment loss on investment in an associate	14,973	–
Unallocated head office and corporate expenses	(331,372)	(347,871)
Consolidated (loss)/profit before taxation	<b>(1,498,695)</b>	687,061

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 3 REVENUE AND SEGMENT REPORTING (Continued)

### (b) Segment reporting (Continued)

#### (ii) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities (Continued)

##### Assets

	2020 RMB'000	2019 RMB'000
Reportable segment assets	60,308,294	59,504,676
Elimination of inter-segment receivables	(784,339)	(705,263)
	<b>59,523,955</b>	58,799,413
Interests in joint ventures	23,570	24,279
Interests in associates	505,415	460,936
Deferred tax assets	322,816	247,611
Prepaid taxes	23,219	20,538
Non-current assets held for sale	44,179	44,179
Unallocated head office and corporate assets	1,684,776	1,892,283
Consolidated total assets	<b>62,127,930</b>	61,489,239

##### Liabilities

	2020 RMB'000	2019 RMB'000
Reportable segment liabilities	34,141,823	32,923,164
Elimination of inter-segment payables	(784,339)	(705,263)
	<b>33,357,484</b>	32,217,901
Current taxation	547,905	502,170
Deferred tax liabilities	5,240,684	5,391,696
Unallocated head office and corporate liabilities	4,647,401	3,754,998
Consolidated total liabilities	<b>43,793,474</b>	41,866,765

# Notes to the Consolidated Financial Statements (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 property, 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	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
PRC	66,240,652	70,074,543	31,858,539	31,683,293
Singapore	6,000,134	2,576,332	11,177	7,760
Others	528,640	247,881	–	–
	<b>72,769,426</b>	72,898,756	<b>31,869,716</b>	31,691,053

The analysis above includes property rental income from external customers in Mainland China of RMB783,438,000 (2019: RMB833,587,000).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 4 OTHER NET INCOME/(LOSS)

	2020 RMB'000	2019 RMB'000
Net fair value changes on financial instruments at fair value through profit or loss		
— listed equity securities	5,102	(812,810)
— wealth management products and trust products	155,464	136,205
— forward contracts	(7,520)	—
— derivative financial instruments	—	124,328
— contingent consideration (notes 31(f)(i))	(14,131)	(165,722)
— convertible redeemable preference shares of a subsidiary (notes 31(f)(i))	13,617	37,717
Net gain/(loss) on the dilution of interests in associates	1,371	(63,625)
Loss on disposal of listed equity securities	—	(61,705)
Government subsidies	61,378	43,587
Loss on disposal of investment properties	—	(5,668)
Net gain on disposal of subsidiaries	23,917	5,357
Others	9,494	6,047
	<b>248,692</b>	<b>(756,289)</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 5 (LOSS)/PROFIT BEFORE TAXATION

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

### (a) Finance (income)/costs

	2020 RMB'000	2019 RMB'000
<b>Finance income</b>		
Interest income	(248,040)	(175,443)
<b>Finance costs</b>		
Interest on interest-bearing borrowings	988,281	909,555
Interest on lease liabilities (note 23(c))	1,144	1,241
Other borrowing costs	17,295	12,764
Less: Amounts capitalised into properties under development and investment properties under development*	(56,325)	(113,759)
	950,395	809,801
Bank charges and others	318,711	297,295
Net foreign exchange loss	25,084	5,439
	<b>1,294,190</b>	<b>1,112,535</b>

\* The borrowing costs have been capitalised at rates ranging from 5.23%–12.20% per annum for the year ended 31 December 2020 (2019: 4.75%–12.20%).

### (b) Staff costs

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	305,711	268,551
Contributions to defined contribution retirement plan	13,046	30,056
Equity-settled share-based payment expenses (note 28)	(28,078)	3,858
	<b>290,679</b>	<b>302,465</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 5 (LOSS)/PROFIT BEFORE TAXATION (Continued)

### (c) Other items

	2020 RMB'000	2019 RMB'000
Amortisation		
— intangible assets (note 12)	54,785	58,270
Depreciation (note 11)		
— owned property, plant and equipment	35,658	31,139
— right-of-use assets	16,207	14,438
Impairment losses		
— trade debtors and bill receivables (note 31(a))	387,514	201,237
— loans and factoring receivables (note 31(a))	53,107	44,992
Auditors' remuneration		
— audit services	5,200	5,150
Research and development costs (other than amortisation costs)	57,409	54,402
Rentals receivable from investment properties less direct outgoings of RMB24,203,000 (2019: RMB14,317,000)	(694,678)	(754,780)
Cost of construction contracts	2,757	9,512
Cost of commodities sold (note 19(c)(ii))	71,176,257	71,459,292
Cost of properties sold (note 19(b))	216,634	51,878

## 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2020 RMB'000	2019 RMB'000
<b>Current tax</b>		
PRC Corporate Income Tax ("PRC CIT")	59,043	78,720
PRC Land Appreciate Tax ("PRC LAT")	5,854	1,998
	64,897	80,718
<b>Deferred tax</b>		
Origination and reversal of temporary differences (note 29(b))	(214,354)	548,824
	(149,457)	629,542

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

### (a) Taxation in the consolidated statement of profit or loss represents: (Continued)

- (i) Pursuant to the rules and regulations of Cayman Islands, the Company is not subject to any income tax in Cayman Islands. Also, certain subsidiaries located in 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 years ended 31 December 2020 and 2019.
- (iii) Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy and e-commerce industry in Guangxi Zhuang Autonomous Region, one subsidiary of the Group, GSMN Logistics Co., Ltd., is subject to PRC CIT at a preferential tax rate of 15% for the year ended 31 December 2020, and two subsidiaries of the Group, Guangxi Sugar Market Network Co., Ltd. and Guangxi Brave Block Trading Market Co., Ltd., are subject to PRC CIT at a preferential tax rate of 9% for the year ended 31 December 2020. 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 year ended 31 December 2020. 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 year ended 31 December 2020 under the PRC Corporate Income Tax Law which was enacted on 16 March 2007.

- (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 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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

### (a) Taxation in the consolidated statement of profit or loss represents: (Continued)

- (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.

### (b) Reconciliation between tax (credit)/expense and accounting (loss)/profit at applicable tax rates

	2020 RMB'000	2019 RMB'000
(Loss)/profit before taxation	<b>(1,498,695)</b>	687,061
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (losses)/profits in the tax jurisdiction concerned	<b>(336,095)</b>	493,591
Tax effect of non-deductible expenses	<b>10,609</b>	12,561
Tax effect of non-taxable share of net losses of joint ventures and associates	<b>2,061</b>	3,509
Tax effect of non-taxable income	<b>(3,943)</b>	(3,927)
Tax effect of unused tax losses not recognised	<b>189,420</b>	136,561
Utilisation of previously unrecognised tax losses	<b>(15,890)</b>	(389)
PRC LAT in relation to properties sold	<b>5,854</b>	1,998
PRC LAT in relation to investment properties	<b>(12)</b>	(18,483)
Tax effect on PRC LAT	<b>(1,461)</b>	4,121
Actual tax (credit)/expense	<b>(149,457)</b>	629,542

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 7 DIRECTORS' EMOLUMENTS

Directors' emoluments are as follows:

	For the year ended 31 December 2020					
	Directors' fee	Salaries, bonuses, allowances and benefits in kind	Retirement scheme contributions	Sub-total	Equity-settled share-based payment (Note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Co-Chairman and executive directors:</b>						
Mr. Yan Zhi	1,077	1,806	14	2,897	-	2,897
Dr. Gang Yu	1,200	-	-	1,200	-	1,200
<b>Executive directors:</b>						
Mr. Wei Zhe	1,200	-	-	1,200	-	1,200
Mr. Qi Zhiping	600	2,161	113	2,874	(1,497)	1,377
Mr. Cui Jinfeng (resigned on 15 September 2020)	287	-	-	287	-	287
Ms. Min Xueqin	202	70	16	288	-	288
<b>Independent non-executive directors:</b>						
Mr. Cheung Kai Fai	355	-	-	355	-	355
Mr. Wu Ying	404	-	-	404	-	404
Mr. Zhu Zhengfu	404	-	-	404	-	404
	<b>5,729</b>	<b>4,037</b>	<b>143</b>	<b>9,909</b>	<b>(1,497)</b>	<b>8,412</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 7 DIRECTORS' EMOLUMENTS (Continued)

	For the year ended 31 December 2019					
	Directors' fee	Salaries, bonuses, allowances and benefits in kind	Retirement scheme contributions	Sub-total	Equity-settled share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Co-Chairman and executive directors:</b>						
Mr. Yan Zhi	1,147	1,806	18	2,971	–	2,971
Dr. Gang Yu	1,200	–	–	1,200	–	1,200
<b>Executive directors:</b>						
Mr. Wei Zhe	1,200	–	–	1,200	11,773	12,973
Mr. Qi Zhiping	600	1,511	85	2,196	(399)	1,797
Mr. Cui Jinfeng	430	–	–	430	–	430
Ms. Min Xueqin (appointed on 16 April 2019)	153	83	18	254	–	254
<b>Independent non-executive directors:</b>						
Mr. Cheung Kai Fai	269	–	–	269	–	269
Mr. Wu Ying	430	–	–	430	–	430
Mr. Zhu Zhengfu	430	–	–	430	–	430
	5,859	3,400	121	9,380	11,374	20,754

Note: These represent the estimated value of share options and share award granted to the directors under the Company's Share Option and Management Share Award Scheme. The value of these share options and share award is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(v).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the report of the directors and note 28.

During the year, no amount was paid or payable by the Group to the directors or any of the 5 highest paid individuals set out in note 8 as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the year. For the basis of determining the emolument payable to the directors, please refer to the paragraph headed "Directors' Emoluments" in the Report of the Directors contained in this annual report.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2019: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2019: two) individuals are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, bonuses and other emoluments	3,970	3,855
Retirement scheme contributions	21	85
Equity-settled share-based payment expenses	–	(399)
	<b>3,991</b>	3,541

The emoluments of two (2019: two) individuals with the highest emoluments are within the following bands:

	2020 Number of individuals	2019 Number of individuals
HKD2,000,001–2,500,000	2	2

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 9 LOSSES/EARNINGS PER SHARE

### (a) Basic losses/earnings per share

The calculation of basic losses per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB1,260,450,000 (2019: profit of RMB92,797,000) and the weighted average of 11,766,253,000 ordinary shares (2019: 11,696,778,000) in issue during the year, calculated as follows:

#### Weighted average number of ordinary shares (basic)

	2020 '000	2019 '000
Issued ordinary shares at 1 January	11,782,826	11,681,732
Effect of shares issued under Management Shares Award Scheme but not yet vested	(31,104)	(49,429)
Effect of vested Incentive Shares	–	1,443
Effect of vested VKC Consultancy Service Consideration Shares	14,531	5,770
Effect of vested shares under Management Shares Award Scheme	–	760
Effect of issuance of new shares as consideration of acquisition of non-controlling interests of a subsidiary	–	56,502
<b>Weighted average number of ordinary shares at 31 December</b>	<b>11,766,253</b>	<b>11,696,778</b>

### (b) Diluted losses/earnings per share

There were no dilutive ordinary shares issued for the year ended 31 December 2020, and therefore, diluted losses per share is the same as the basic losses per share for the year.

The calculation of diluted earnings per share for the year ended 31 December 2019 is based on the profit attributable to ordinary equity shareholders of the Company of RMB92,797,000 and the weighted average number of ordinary shares of 11,729,015,000 shares in issue during the year.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 10 INVESTMENT PROPERTIES

### (a) Reconciliation of carrying amount

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At 1 January 2019	21,613,930	3,842,469	25,456,399
Additions	6,894	119,904	126,798
Transfer from completed properties held for sale	929,251	–	929,251
Transfer from properties under development for sale	–	138,382	138,382
Disposals	(15,277)	–	(15,277)
Fair value adjustments	2,021,637	511,438	2,533,075
At 31 December 2019	24,556,435	4,612,193	29,168,628
Representing:			
Cost	8,937,716	2,024,197	10,961,913
Fair value adjustments	15,618,719	2,587,996	18,206,715
	24,556,435	4,612,193	29,168,628
At 1 January 2020	<b>24,556,435</b>	<b>4,612,193</b>	<b>29,168,628</b>
Additions	<b>35,245</b>	<b>168,510</b>	<b>203,755</b>
Transfer from completed properties held for sale (note)	<b>34,197</b>	–	<b>34,197</b>
Transfer from properties under development for sale (note)	–	<b>593,280</b>	<b>593,280</b>
Transfer to property, plant and equipment (note 11)	<b>(76,584)</b>	–	<b>(76,584)</b>
Fair value adjustments	<b>(786,972)</b>	<b>366,093</b>	<b>(420,879)</b>
At 31 December 2020	<b>23,762,321</b>	<b>5,740,076</b>	<b>29,502,397</b>
Representing:			
Cost	<b>8,987,917</b>	<b>2,785,987</b>	<b>11,773,904</b>
Fair value adjustments	<b>14,774,404</b>	<b>2,954,089</b>	<b>17,728,493</b>
	<b>23,762,321</b>	<b>5,740,076</b>	<b>29,502,397</b>
<b>Book value:</b>			
At 31 December 2020	<b>23,762,321</b>	<b>5,740,076</b>	<b>29,502,397</b>
At 31 December 2019	24,556,435	4,612,193	29,168,628

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 10 INVESTMENT PROPERTIES (Continued)

### (a) Reconciliation of carrying amount (Continued)

Note: During the year ended 31 December 2020, the Group transferred certain completed properties held for sale and properties under development for sale to investment properties when there was an actual change in use from sale to earning rental income purpose, which were evidenced by commencement of operating lease as stipulated in the lease agreements entered into by the Group. Correspondingly, a fair value gain in profit or loss of RMB382,580,000 (2019: RMB2,042,724,000) upon transfer was recognised.

As at 31 December 2020, the Group's investment properties and investment properties under development with an aggregated carrying value of RMB19,557,888,000 and RMB108,388,000 (2019: RMB22,122,984,000 and RMB98,965,000) were pledged as collateral for the Group's interest-bearing borrowings and bills payables respectively (note 25 and 24). In addition, the Group's investment properties with an aggregated carrying value of RMB38,932,000 (2019: nil) were pledged as collateral for certain interest-bearing borrowings of an entity which is 20% indirectly held by Ultimate Controlling Party of the Company.

### (b) Fair value measurement of properties

#### (i) Fair value hierarchy

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

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

	Fair value measurements as at 31 December 2020 categorised into level 3 RMB'000	RMB'000
<b>Recurring fair value measurement</b>		
— investment properties	<b>29,502,397</b>	<b>29,502,397</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 10 INVESTMENT PROPERTIES (Continued)

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

#### (i) Fair value hierarchy

	Fair value measurements as at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into level 3
	RMB'000	RMB'000
<b>Recurring fair value measurement</b>		
— investment properties	29,168,628	29,168,628

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2020. The valuations were carried out by an independent firm of surveyors, Jones Lang Lasalle Corporate Appraisal and Advisory Limited ("JLL"), who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's property manager and the senior management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 10 INVESTMENT PROPERTIES (Continued)

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

#### (ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Completed investment properties	Income capitalisation method	Term Yield	4.5% (2019: 4.5%)
		Reversion Yield	5.0% (2019: 5.0%)
		Market monthly rental rate (RMB/sqm.)	8.4–120 (2019: 23–120)
		Occupancy rate	90%–95% (2019: 90%–95%)
Investment properties under development	Residual approach	Term Yield	5.0%–5.5% (2019: 5.0%–5.5%)
		Reversion Yield	5.5%–6.0% (2019: 5.5%–6.0%)
		Market monthly rental rate (RMB/sqm.)	27–71 (2019: 34–68)
		Occupancy rate	0%–95% (2019: 0%–95%)

The fair value of completed investment properties is generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the income and reversionary potential income by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings within the subject properties and the estimated rental incremental observed in other comparable properties.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 10 INVESTMENT PROPERTIES (Continued)

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

#### (ii) Information about Level 3 fair value measurements (Continued)

The fair value of investment properties under development is generally derived using the residual method assuming that it is newly completed in accordance with the development proposal in term of property use, respective saleable areas and construction schedule to establish the gross development value ("GDV") of the property. The total unexpended costs of the development including construction costs, professional fees and other associated expenditure, together with an allowance for interest expenses, and developer's profits are estimated and deducted. The resultant residual figures are then adjusted back to the valuation date to arrive at the fair value of the property concerned in its existing state.

Fair value adjustment of investment properties is recognised in the line of item "net valuation (loss)/gain on investment properties" on the face of the consolidated statement of profit or loss.

Significant judgement is required when evaluating the inputs into the fair value determination of the investment properties. Reasonably possible changes at the reporting date is one of the relevant assumptions, holding other assumptions constant, would have affected the fair value of the investment properties by the amounts shown below.

	Increase RMB'000	Decrease RMB'000
Reversion Yield		
— 0.5% movement	(2,029,000)	2,269,000
— 1% movement	(3,836,000)	4,813,000
Market monthly rental rate (RMB/sqm.)		
— 5% movement	1,387,000	(1,384,000)
— 10% movement	2,775,000	(2,773,000)
Occupancy rate		
— 5% decrease	NA	(1,461,000)
— 10% decrease	NA	(2,916,000)

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 10 INVESTMENT PROPERTIES (Continued)

### (c) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every 1 to 3 years to reflect market rentals. None of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	<b>744,548</b>	1,061,093
After 1 year but within 2 years	<b>657,946</b>	732,896
After 2 year but within 3 years	<b>617,582</b>	641,838
After 3 year but within 4 years	<b>573,956</b>	594,986
After 4 year but within 5 years	<b>552,043</b>	566,823
After 5 years	<b>1,331,898</b>	1,984,946
	<b>4,477,973</b>	5,582,582

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 11 PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in leasehold land and buildings held for own use RMB'000	Other properties leased for own use RMB'000	Motor vehicles RMB'000	Furniture, office equipment and others RMB'000	Total RMB'000
<b>Cost:</b>					
At 1 January 2019	365,785	25,875	29,662	113,668	534,990
Additions	7,618	14,962	1,970	13,999	38,549
Addition through acquisition of subsidiaries	–	–	–	1,149	1,149
Disposals	(2,740)	–	(135)	(5,234)	(8,109)
Disposals arising from disposal of subsidiaries	(18,984)	–	(1,530)	(6,291)	(26,805)
At 31 December 2019/1 January 2020	<b>351,679</b>	<b>40,837</b>	<b>29,967</b>	<b>117,291</b>	<b>539,774</b>
Additions	39,450	29,879	1,750	19,157	90,236
Addition through acquisition of subsidiaries	–	–	–	997	997
Transfer from Investment properties (note 10)	76,584	–	–	–	76,584
Disposals	(4,232)	(15,003)	(236)	(3,469)	(22,940)
Disposals arising from disposal of subsidiaries	(6,535)	(7,836)	(918)	(2,350)	(17,639)
At 31 December 2020	<b>456,946</b>	<b>47,877</b>	<b>30,563</b>	<b>131,626</b>	<b>667,012</b>
<b>Accumulated depreciation:</b>					
At 1 January 2019	93,690	–	26,260	74,865	194,815
Charge for the year	18,419	14,438	1,715	11,005	45,577
Addition through acquisition of subsidiaries	–	–	–	297	297
Written back on disposals	–	–	(2,059)	(4,251)	(6,310)
Disposals arising from disposal of subsidiaries	(18,973)	–	(1,530)	(5,617)	(26,120)
At 31 December 2019/1 January 2020	<b>93,136</b>	<b>14,438</b>	<b>24,386</b>	<b>76,299</b>	<b>208,259</b>
Charge for the year	22,667	16,207	1,773	11,218	51,865
Addition through acquisition of subsidiaries	–	–	–	454	454
Written back on disposals	(3,451)	(15,003)	(170)	(1,872)	(20,496)
Disposals arising from disposal of subsidiaries	(3,506)	(2,946)	(809)	(1,575)	(8,836)
At 31 December 2020	<b>108,846</b>	<b>12,696</b>	<b>25,180</b>	<b>84,524</b>	<b>231,246</b>
<b>Net book value:</b>					
At 31 December 2020	<b>348,100</b>	<b>35,181</b>	<b>5,383</b>	<b>47,102</b>	<b>435,766</b>
At 31 December 2019	258,543	26,399	5,581	40,992	331,515

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 11 PROPERTY, PLANT AND EQUIPMENT (Continued)

The ownership certificates for certain buildings with net book value of RMB39,744,000 (2019: RMB16,029,000) have not been obtained. The directors are of the opinion that the Group are entitled to lawfully and validly occupy and use of the above-mentioned buildings.

As at 31 December 2020, the Group's buildings with carrying value of RMB115,898,000 and RMB458,000 (2019: RMB98,225,000 and nil) were pledged as collateral for the Group's interest-bearing borrowings and bills payables respectively (note 25 and 24).

### (a) Right-of-use assets

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset is as follows:

	Notes	2020 RMB'000	2019 RMB'000
Included in "Property, plant and equipment":			
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in the PRC, with remaining lease term of:			
— between 10 and 50 years	(i)	348,100	258,543
Other properties leased for own use, carried at depreciated cost	(ii)	35,181	26,399
		<b>383,281</b>	284,942
Included in "Investment properties":			
Ownership interests in leasehold investment properties, carried at fair value, with remaining lease term of:			
— 50 years or more	10	85,489	85,869
— between 10 and 50 years		29,416,908	29,082,759
		<b>29,502,397</b>	29,168,628
Included in "Inventories":			
Completed properties held for sale	19	1,052,632	1,087,975
Properties under development for sale		521,815	1,310,683
		<b>1,574,447</b>	2,398,658
		<b>31,460,125</b>	31,852,228

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 11 PROPERTY, PLANT AND EQUIPMENT (Continued)

### (a) Right-of-use assets (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	22,667	18,419
Other properties leased for own use	16,207	14,438
	<b>38,874</b>	32,857
Interest on lease liabilities (note 5(a))	1,144	1,241
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	8,843	10,816
COVID-19 related rent concessions received	1,064	–

During the year, additions to right-of-use assets were RMB29,879,000 (2019: RMB14,962,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of land leases included in the carrying amount of inventories, total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19(a), 19(b), 23(d) and 26, respectively.

As disclosed in note 1(c), the Group has early adopted the Amendment to IFRS 16, *Leases, Covid-19-Related Rent Concessions*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period. Further details are disclosed in (ii) below.

### (i) Ownership interests in leasehold land and buildings held for own use

The Group holds several commercial buildings as administrative offices. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 11 PROPERTY, PLANT AND EQUIPMENT (Continued)

### (a) Right-of-use assets (Continued)

#### (ii) Other properties leased for own use

The Group has obtained the right to use other properties as its warehouses and administrative offices through tenancy agreements. The leases typically run for an initial period of 1 to 6 years. Lease payments are usually increased every 1 to 6 years to reflect market rentals. None of properties leased for own used include an option to renew the lease for an additional period after the end of the contract term.

During 2020 the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed lease payments for the year is summarised below:

	Fixed payments RMB'000	2020 COVID-19 rent concessions RMB'000	Total payments RMB'000
Office premises and warehouses	16,022	(1,064)	14,958
			2019 Fixed payments RMB'000
Office premises and warehouses			15,364

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 12 INTANGIBLE ASSETS

	Unfinished contracts RMB'000	Software RMB'000	Favourable contracts RMB'000	Customer relationship RMB'000	Trademark RMB'000	Total RMB'000
<b>Cost:</b>						
At 1 January 2019	8,879	86,329	23,100	737,700	176,190	1,032,198
Additions	–	58,805	–	–	318	59,123
Disposals	–	(5,969)	–	–	–	(5,969)
Disposals arising from disposal of subsidiaries	(8,879)	(18,611)	–	–	–	(27,490)
At 31 December 2019	–	120,554	23,100	737,700	176,508	1,057,862
At 1 January 2020	–	120,554	23,100	737,700	176,508	1,057,862
Additions	–	19,728	–	–	44	19,772
Disposals	–	(3,028)	–	–	–	(3,028)
Disposals arising from disposal of subsidiaries	–	(10,897)	–	–	–	(10,897)
At 31 December 2020	–	126,357	23,100	737,700	176,552	1,063,709
<b>Accumulated amortisation:</b>						
At 1 January 2019	8,879	36,844	13,860	64,195	291	124,069
Charge for the year	–	14,841	9,240	33,718	471	58,270
Disposals	–	(327)	–	–	–	(327)
Disposals arising from disposal of subsidiaries	(8,879)	(3,453)	–	–	–	(12,332)
At 31 December 2019	–	47,905	23,100	97,913	762	169,680
At 1 January 2020	–	47,905	23,100	97,913	762	169,680
Charge for the year	–	17,984	–	36,594	207	54,785
Disposals	–	(1,595)	–	–	–	(1,595)
Disposals arising from disposal of subsidiaries	–	(9,170)	–	–	–	(9,170)
At 31 December 2020	–	55,124	23,100	134,507	969	213,700
<b>Accumulated impairment losses:</b>						
At 1 January 2019	–	–	–	99,735	53,089	152,824
Impairment loss recognised	–	–	–	–	20,300	20,300
At 31 December 2019	–	–	–	99,735	73,389	173,124
At 1 January 2020	–	–	–	99,735	73,389	173,124
Impairment loss recognised	–	1,260	–	119,324	5,900	126,484
At 31 December 2020	–	1,260	–	219,059	79,289	299,608
<b>Net book value:</b>						
At 31 December 2020	–	69,973	–	384,134	96,294	550,401
At 31 December 2019	–	72,649	–	540,052	102,357	715,058

The amortisation charge for the year is included in "administrative and other expenses" in the consolidated statement of profit or loss.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 12 INTANGIBLE ASSETS (Continued)

Included in the carrying amount of customer relationship and trademark as at 31 December 2020 is an amount of RMB488,724,000 and RMB101,400,000, respectively, allocated to CGU — Shenzhen Sinoagri E-commerce Co., Ltd. (“Shenzhen Sinoagri”), a business operation engaged in business of supply chain management and trading of agriculture products.

An impairment test has been carried out for the Shenzhen Sinoagri’s trademark which has indefinite useful life. The recoverable amount of trademark was estimated through the application of an income approach technique known as relief from royalty method. Under the relief from royalty method, the value of the trademarks depends on the present worth of future economic benefits to be derived from the projected royalty income, using a discount rate of 22.07% (2019: 22.06%). The growth of royalty income was projected taking into account the average growth rate of Shenzhen Sinoagri’s gross profit of 25.89% (2019: 16.73%) of next 5 years and a fixed royalty rate of 4% (2019:4%) based on the historical industry information. The growth of gross profit was projected taking into account the average growth levels experienced over the past years and the estimated sales volume and price growth for the next five years. Royalty income beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2019: 3%). The growth rates used do not exceed the long-term average growth rates for the business in which the trademark related to. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

Affected by COVID-19 pandemic, the financial performance of CGU — Shenzhen Sinoagri has been lowered than expectation during the year. As a result, the recoverable amount of trademark was estimated to be less than its carrying amount and impairment loss amounting RMB5,900,000 (2019: RMB20,300,000) was recognised. As the trademark has been reduced to its recoverable amount of RMB95,500,000 (2019: RMB101,400,000), any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

As a result of the recognition of the impairment loss for the Shenzhen Sinoagri’s trademark, management considered that there was an indication of impairment for Shenzhen Sinoagri’s customer relationship and carried out an impairment test. The recoverable amount of customer relationship was estimated based on the application of an income approach technique known as the multi-period excess earning method. In the application of this method, the forecast cash flow are discounted and adjusted into present worth to reflect all risks including intrinsic and extrinsic uncertainties in relation to the customer relationship. The growth of forecast cash flow in relation to the customer relationship was projected taking into account the average growth rate of Shenzhen Sinoagri’s gross profit of 25.89% (2019: 16.73%) of next 5 years and an annual customer attrition rate of 19.76% (2019: 17%) based on historical data from internal sources. The growth of gross profit was projected taking into account the average growth levels experienced over the past years and the estimated sales volume and price growth for the next five years. The gross profit projected beyond the five-year period to 16 years are using an estimated growth rate of 3% (2019: 3%). The growth rates used do not exceed the long-term average growth rates for the business in which the customer relationship related to. The cash flows are discounted using a pre-tax discount rate of 28.42% (2019: 25.36%). The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The recoverable amount of customer relationship was estimated to be less than its carrying amount and impairment loss amounting RMB119,324,000 (2019: nil) was recognised. As the customer relationship has been reduced to its recoverable amount of RMB369,400,000, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 13 GOODWILL

	RMB'000
<b>Cost:</b>	
At 1 January 2019	1,713,070
Additions through business combination	12,705
Disposal of subsidiaries	(15,783)
At 31 December 2019 and 1 January 2020	<b>1,709,992</b>
Additions through business combination (note 23(e))	<b>60,967</b>
At 31 December 2020	<b>1,770,959</b>
<b>Accumulated impairment losses:</b>	
At 1 January 2019	(461,028)
Impairment loss recognised	(258,327)
At 31 December 2019 and 1 January 2020	<b>(719,355)</b>
Impairment loss recognised	<b>(199,437)</b>
At 31 December 2020	<b>(918,792)</b>
<b>Carrying amount:</b>	
At 31 December 2020	<b>852,167</b>
At 31 December 2019	990,637

### Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to operating segment as follows:

	2020 RMB'000	2019 RMB'000
Shenzhen Sinoagri — business of supply chain management and trading of agriculture products	<b>749,401</b>	896,418
HSH International Inc. ("HSH") — business of supply chain management and trading of chemical and plastic raw materials	<b>90,061</b>	81,514
Others	<b>12,705</b>	12,705
	<b>852,167</b>	990,637

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 13 GOODWILL (Continued)

The recoverable amount of the CGU — Shenzhen Sinoagri is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The average budgeted gross profit margin growth rate for the five year period is 25.89% (2019: 16.73%). Budgeted gross profit margin was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past years and the estimated sales volume and price growth for the next five years. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2019: 3%). The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 29.44% (2019: 19.70%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The recoverable amount of the CGU — HSH is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The average budgeted gross profit margin growth rate for the five year period is 32.74% (2019: 20.60%). Budgeted gross profit margin was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past years and the estimated sales volume and price growth for the next five years. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2019: 3%). The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 25.58% (2019: 21.22%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The impairment loss recognised during the year relates to the CGU — Shenzhen Sinoagri and CGU — HSH. Affected by COVID-19 pandemic, the financial performances of CGU — Shenzhen Sinoagri and CGU — HSH have been lowered than expectation during the year. As a result, the impairment loss of RMB147,017,000 and RMB52,420,000 were recognised for CGU — Shenzhen Sinoagri and CGU — HSH respectively during the year as CGU — Shenzhen Sinoagri and CGU — HSH have been reduced to its recoverable amount of RMB2,582,032,000 and RMB38,642,000 respectively. Following the impairment loss recognised, the recoverable amount of both CGUs was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment. The following changes in assumptions of determination of the recoverable amount of the CGU — Shenzhen Sinoagri would have resulted in an increase in the impairment loss as follows.

	Impairment higher by: RMB'000
A decrease of in the sales volume	
— 5%	19,961
— 10%	39,922
A decrease of basis point in the gross profit margin	
— 0.05%	125,025
— 0.10%	194,189
An increase basis point in discount rate	
— 1%	71,086
— 2%	134,486

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 14 INTERESTS IN SUBSIDIARIES

The following list contains only the particulars of principal subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiaries	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Wuhan North Hankou Trade Market Investment Co., Ltd. (notes (i) and (ii)) 武漢漢口北商貿市場投資有限公司	The PRC	RMB55,000,000	100%	–	100%	Property development
Zall Investment Group Co., Ltd. (notes (i) and (ii)) 卓爾投資集團有限公司	The PRC	RMB100,000,000	100%	–	100%	Property development
Wuhan Big World Investment and Development Co., Ltd. (notes (i) and (ii)) 武漢大世界投資發展有限公司	The PRC	RMB100,000,000	100%	–	100%	Property development
Zall Development (Tianjin) Co., Ltd. (notes (i) and (ii)) 卓爾發展(天津)有限公司	The PRC	RMB1,001,000,000/ RMB442,000,000	100%	–	100%	Property development
Zall Development (Jingzhou) Co., Ltd. (notes (i) and (iii)) 卓爾發展(荊州)有限公司	The PRC	USD100,000,000/ RMB190,036,742	100%	–	100%	Property development
Shenzhen Sinoagri E-commerce Co., Ltd. (notes (i) and (iii)) 深圳市中農網有限公司	The PRC	RMB509,000,000	68.85%	–	68.85%	Supply chain management and trading business
Shenzhen Kunshang E-Sugar Supply Chain Co., Ltd. (notes (i) and (ii)) 深圳市昆商易糖供應鏈有限公司	The PRC	RMB80,000,000	45.76%	–	100%	Supply chain management and trading business
Guangxi Kangchen Shitang Trading Co., Ltd. (notes (i) and (ii)) 廣西康宸世糖貿易有限公司	The PRC	RMB10,000,000	45.76%	–	100%	Supply chain management and trading business

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 14 INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Guangxi Sugar Market Network Co., Ltd. (notes (i) and (ii)) 廣西糖網食糖批發市場 有限責任公司	The PRC	RMB50,000,000	45.76%	–	100%	Supply chain management and trading business
Shanghai Zall Steel E-commerce Co., Ltd. (notes (i) and (ii)) 上海卓鋼鏈電子商務有限公司	The PRC	RMB100,000,000/ RMB50,000,000	51%	–	51%	Supply chain management and trading business
Changzhou Sulai Trade Co., Ltd. (notes (i) and (ii)) 常州塑來貿易有限公司	The PRC	RMB20,000,000	69.29%	–	100%	Supply chain management and trading business
Commodities Intelligence Centre Pte. Ltd.	Singapore	SGD10,000,000	70%	–	70%	Supply chain management and trading business

Notes:

- (i) The English translation of the companies names is for reference only. The official names of these companies are in Chinese.
- (ii) These entities are domestic enterprises established in the PRC.
- (iii) This entity is sino-foreign equity joint venture established in the PRC.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 14 INTERESTS IN SUBSIDIARIES (Continued)

The following table lists out the information relating to Shenzhen Sinoagri and its subsidiaries, which has a material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2020 RMB'000	2019 RMB'000
NCI percentage	<b>31.15%</b>	31.15%
Current assets	<b>18,726,769</b>	14,550,936
Non-current assets	<b>644,799</b>	611,652
Current liabilities	<b>18,098,296</b>	13,866,707
Non-current liabilities	<b>148,198</b>	141,457
Net assets	<b>1,125,074</b>	1,154,424
Carrying amount of NCI	<b>528,260</b>	538,867
Revenue	<b>38,110,585</b>	33,939,271
(Loss)/profit for the year before amortisation of intangible assets, impairment loss on intangible assets and equity-settled share-based payment expense	<b>(34,337)</b>	21,972
Less: Expenses arisen from acquisition (after tax):		
— Amortisation of intangible assets	<b>13,721</b>	20,651
— Equity-settled share-based payment expense	<b>(28,109)</b>	(7,989)
— Impairment loss on intangible assets	<b>93,918</b>	15,225
Loss contributed to the Group's result	<b>113,867</b>	5,915
Total comprehensive income	<b>(113,867)</b>	(5,915)
Loss allocated to NCI	<b>38,578</b>	1,077
Dividend paid to NCI	<b>2,909</b>	6,237
Net cash generated from operating activities	<b>188,234</b>	810,191
Net cash used in investing activities	<b>91,072</b>	49,551
Net cash used in financing activities	<b>140,526</b>	654,570

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 15 INTERESTS IN ASSOCIATES

The following list contains only the particulars of material associates:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activity
				Group's effective interest	Held by the Company	Held by a subsidiary	
LightInTheBox Holding Co., Ltd. ("LightInTheBox")	Incorporated	Cayman/Overseas	224,038,611 ordinary shares of USD0.000067 each	24.64%	–	24.64%	E-commerce (Note)

Note: LightInTheBox is a company incorporated under the laws of the Cayman Islands with limited liability, whose American Depositary Shares are listed on the New York Stock Exchange. LightInTheBox is a strategic partner for the Group in developing E-commerce business where LightInTheBox has extensive experience.

The associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2020 RMB'000	2019 RMB'000
<b>Gross amounts of the associate's</b>		
Revenue	<b>2,746,286</b>	1,678,543
Profit for the year	<b>91,855</b>	6,924
Other comprehensive income/(loss)	<b>22,341</b>	(3,532)
Total comprehensive income	<b>114,196</b>	3,392
Dividend received from the associate	–	–
Current assets	<b>553,364</b>	400,273
Non-current assets	<b>738,534</b>	668,352
Current liabilities	<b>631,943</b>	499,998
Non-current liabilities	<b>76,994</b>	67,306
Equity	<b>582,961</b>	501,321
<b>Reconciled to the Group's interests in the associate</b>		
Gross amount of net assets of the associate	<b>582,961</b>	501,321
Group's effective interest	<b>24.64%</b>	24.56%
Group's share of net assets of the associate	<b>143,642</b>	123,124
Carrying amount of goodwill	<b>159,335</b>	153,213
Carrying amount in the consolidated financial statements	<b>302,977</b>	276,337

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 15 INTERESTS IN ASSOCIATES (Continued)

Aggregate information of the associates that are not individually material:

	2020 RMB'000	2019 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<b>202,438</b>	184,599
Aggregate amount of the Group's share of those associates'		
— Profit for the year	<b>6,661</b>	5,471
— Other comprehensive income	—	—
— Total comprehensive income	<b>6,661</b>	5,471

## 16 INTERESTS IN JOINT VENTURES

The directors are of the view that the Group had no individually material joint venture as at 31 December 2020 and 2019. Aggregate information of the joint ventures that are not individually material:

	2020 RMB'000	2019 RMB'000
Aggregate carrying amount of individually immaterial joint venture in the consolidated financial statements	<b>23,570</b>	24,279
Aggregate amount of the Group's share of the joint ventures'		
— Losses for the year	<b>2,458</b>	1,895
— Other comprehensive income	—	—
— Total comprehensive loss	<b>2,458</b>	1,895

## 17 EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
<b>Equity securities designated at FVOCI (non-recycling)</b>		
— Unlisted equity securities	<b>8,702</b>	8,702

The unlisted equity securities are shares in a company incorporated in PRC, which is held for strategic purposes. No dividends were received on this investment during the year (2019: nil).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 18 FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
<b>Financial assets at fair value through profit or loss</b>		
Listed equity securities in Hong Kong		
— Fullshare Holdings Limited	94,502	95,287
Wealth management products and trust products (i)	3,406,573	4,214,546
Forward contracts	177,459	295,525
Contingent consideration (notes 31(f))		
— acquisition of Shenzhen Sinoagri (ii)	172,851	182,575
— acquisition of HSH	—	7,031
	<b>3,851,385</b>	4,794,964
<b>Financial liabilities at fair value through profit or loss</b>		
Forward contracts	155,959	295,525
Contingent consideration		
— acquisition of HSH	—	876
Convertible redeemable preference shares (iii)	—	19,273
	<b>155,959</b>	315,674

(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 RMB2,803,162,000 (2019: RMB3,432,913,000) and RMB518,321,000 (2019: RMB761,582,000) were pledged as collateral for the Group's bills payables and interest-bearing borrowings (note 24 and 25).

(ii) The amount represents the contingent consideration of acquisition of Shenzhen Sinoagri amounting to RMB172,851,000 as at 31 December 2020 (2019: RMB182,575,000). 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.

(iii) Convertible redeemable preference shares were issued by HSH. At the option of the holders, the convertible redeemable preference shares can be converted at any time into ordinary shares of HSH based on pre-determined conversion price, subject to certain anti-dilution adjustments. The convertible redeemable preference shares are redeemable upon occurrence of certain future events and at the option of the holders. The preference shareholders' redemption right expired during the year of 2020 and thus the carry amount of the preference share was reclassified to equity.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 19 INVENTORIES

	2020 RMB'000	2019 RMB'000
<b>Inventories</b>		
Properties under development for sale	2,576,541	4,408,248
Completed properties held for sale	1,052,632	1,087,975
Commodities	901,839	337,424
	<b>4,531,012</b>	<b>5,833,647</b>

### (a) Properties under development for sale

(i) Properties under development in the consolidated statement of financial position comprise:

	2020 RMB'000	2019 RMB'000
<b>Expected to be recovered within one year</b>		
Properties under development for sale	260,559	238,706
<b>Expected to be recovered after more than one year</b>		
Properties held for future development for sale	972,947	1,876,865
Properties under development for sale	1,343,035	2,292,677
	<b>2,315,982</b>	<b>4,169,542</b>
	<b>2,576,541</b>	<b>4,408,248</b>

As at 31 December 2020, certain properties under development with an aggregate carrying value of RMB278,058,000 (2019: RMB1,407,013,000) was pledged as collateral for the Group's interest-bearing borrowings (note 25).

(ii) The analysis of carrying value of leasehold land included in properties under development is as follows:

	2020 RMB'000	2019 RMB'000
In the PRC, with remaining lease term of:		
— 50 years or more	12,010	22,454
— Between 40–50 years	509,805	1,288,229
	<b>521,815</b>	<b>1,310,683</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 19 INVENTORIES (Continued)

### (b) Completed properties held for sale

	2020 RMB'000	2019 RMB'000
Completed properties held for sale in the PRC	<b>1,052,632</b>	1,087,975

The analysis of carrying value of leasehold land included in completed properties held for sale is as follows:

	2020 RMB'000	2019 RMB'000
In the PRC, with remaining lease term of:		
— 50 years or more	<b>12,123</b>	3,169
— Between 40–50 years	<b>50,798</b>	62,382
	<b>62,921</b>	65,551

Carrying amount of completed properties held for sale recognised as an expenses and included in profit or loss for the year ended 31 December 2020 is RMB216,634,000 (2019: RMB51,878,000).

The amount of completed properties held for sale expected to be recovered after more than one year is RMB920,839,000 (2019: RMB1,045,500,000).

As at 31 December 2020, completed properties held for sale with an aggregate carrying value of RMB111,893,000 and RMB332,000 (2019: RMB217,909,000 and RMB724,000) were pledged as collateral for the Group's interest-bearing borrowings and bills payables, respectively (note 25 and 24).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 19 INVENTORIES (Continued)

### (c) Commodities

#### (i) Commodities in the consolidated statement of financial position comprise:

	2020 RMB'000	2019 RMB'000
Supply chain management and trading business		
— Sugar	537,276	118,949
— Steel	242,392	171,534
— Chemical materials	13,350	3,894
— Plastic	57,602	1,419
— Others	51,219	41,628
	<b>901,839</b>	337,424

#### (ii) The analysis of the amount of commodities recognised as an expenses and included in profit or loss is as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount of commodities sold	<b>71,176,257</b>	71,459,292

## 20 CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

	2020 RMB'000	2019 RMB'000
<b>Contract assets</b>		
Arising from performance under construction contracts	<b>342,145</b>	339,388
<b>Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (note 21)</b>	<b>1,383,937</b>	2,886,354

The amount of contract assets that is expected to be recovered after more than one year is RMB342,145,000 (2019: RMB339,388,000).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 20 CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

### (b) Contract liabilities

	2020 RMB'000	2019 RMB'000
<b>Contract liabilities</b>		
Property development and related services		
— Forward sales deposits and instalments received	<b>299,000</b>	634,834
Supply chain management and trading		
— Deposits received from third parties	<b>3,592,757</b>	2,388,312
— Deposits received from related parties	<b>15,743</b>	—
Others		
— Deposits received	<b>117,812</b>	31,392
	<b>4,025,312</b>	3,054,538

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

— Property development and related services

Depending on market conditions, the Group requires the customers to pay off the full consideration within an agreed time frame while developments are still ongoing, rather than on the completion of the relevant properties. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property construction period for the full amount of the contract price. In addition, the contract liability will be increased by the amount of interest expense being accrued by the Group to reflect the effect of any financing benefit obtained from the customers during the period between the payment date and the revenue recognition date. As this accrual increases the amount of the contract liability during the period of construction, it therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer.

— Supply chain management and trading

The Group receives 10% to 100% of the contract value as a deposit from customers at the payment date as stipulated in the sale and purchase agreement. This deposit is recognised as a contract liability until the customer takes possession of and accepts the products.

The deposits received from third parties of RMB764,140,000 were paid by Z-bank, a related party of the company, on behalf of certain customers. These deposits were paid from the proceeds from trade loans provided by Z-bank to these customers; and the corresponding commodities will be delivered to these customers once the related trade loans are settled by these customers to Z-bank. In case the customers do not fulfill their obligations of settlement of trade loans to Z-bank, the Group will refund the deposits and pay the related trade loans interests to Z-bank.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 20 CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

### (b) Contract liabilities (Continued)

#### Movements in contract liabilities

	2020 RMB'000	2019 RMB'000
Balance at 1 January	3,054,538	1,835,718
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(2,792,993)	(1,429,331)
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year in respect of properties not yet delivered as at the year end	29,017	204,083
Increase in contract liabilities as a result of accruing interest expense on advances	8,442	24,867
Net increase in contract liabilities as a result of receiving deposits in respect of commodities not yet delivered as at the year end	3,759,554	2,419,201
Decrease in contract liabilities as a result of disposal of a subsidiary	(33,246)	–
Balance at 31 December	4,025,312	3,054,538

The amount of forward sales deposits and instalments received in respect of properties expected to be recognised as income after more than one year is RMB115,386,000 (2019: RMB157,468,000).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 21 TRADE AND OTHER RECEIVABLES

	Note	2020 RMB'000	2019 RMB'000
Trade debtors and bills receivables, net of loss allowance	21(a)	5,951,018	5,654,627
Loans and factoring receivables, net of loss allowance	21(b)	1,602,380	1,409,208
		<b>7,553,398</b>	7,063,835
Advances to suppliers		3,526,630	2,893,150
Other receivables, deposits and prepayments		1,525,188	1,776,950
		<b>12,605,216</b>	11,733,935

Trade and other receivables of the Group included deposits of RMB17,610,000 (2019: RMB19,616,000) 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.

As at 31 December 2020, trade debtors of RMB24,739,000 (2019: RMB25,679,000) and other receivables of RMB8,000,000 (2019: RMB8,000,000) were pledged as collateral for the Group's interest-bearing borrowings (note 25).

### (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:

	2020 RMB'000	2019 RMB'000
Within 6 months	1,507,850	3,865,388
6 to 12 months	4,221,400	1,032,370
Over 12 months	221,768	756,869
	<b>5,951,018</b>	5,654,627

Customers are normally granted credit terms of 0 to 360 days, depending on the credit worthiness of individual customers. Further details on the Group's credit policy and credit risk arising from trade debtors and bill receivables are set out in note 31(a).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 21 TRADE AND OTHER RECEIVABLES (Continued)

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

	2020 RMB'000	2019 RMB'000
Secured loans receivable, net of loss allowance (i)	1,479,820	1,377,962
Unsecured loans receivable, net of loss allowance	39,386	3,884
Factoring receivables, net of loss allowance	83,174	27,362
	<b>1,602,380</b>	1,409,208

(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 allowance for doubtful debts, is as follows:

	2020 RMB'000	2019 RMB'000
Within 6 months	1,317,522	1,122,268
6 to 12 months	34,990	47,235
Over 12 months	249,868	239,705
	<b>1,602,380</b>	1,409,208

Borrowers are normally granted credit terms of 180 to 360 days, depending on the credit worthiness of individual customers. Further details on the Group's credit policy and credit risk arising from loans and factoring receivables are set out in note 31(a).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 22 PLEDGED BANK DEPOSITS

	2020 RMB'000	2019 RMB'000
Secured for bank loans (note 25)	<b>2,073,966</b>	1,186,593
Secured for letters of credit and bills payable (note 24)	<b>4,590,284</b>	3,390,862
Secured for a bank loan of a third party	–	30,000
Others	<b>31,514</b>	72,890
	<b>6,695,764</b>	4,680,345

## 23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

### (a) Cash and cash equivalent comprise:

	2020 RMB'000	2019 RMB'000
Cash at bank and on hand	<b>1,184,708</b>	1,243,944

At 31 December 2020, cash and cash equivalents and pledged bank deposits with aggregate amount of RMB7,848,563,000 (2019: RMB5,747,337,000) 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 Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

### (b) Reconciliation of (loss)/profit before taxation to cash (used in)/generated from operations

	Note	2020 RMB'000	2019 RMB'000
(Loss)/profit before taxation		(1,498,695)	687,061
Adjustments for:			
Amortisation	5(c)	54,785	58,270
Depreciation			
— property, plant and equipment	5(c)	51,865	45,577
Loss on disposal of listed equity securities		—	61,705
Finance income	5(a)	(248,040)	(175,443)
Finance costs	5(a)	1,294,190	1,112,535
Net valuation (loss)/gain on investment properties	10	420,879	(2,533,075)
Fair value changes on financial instruments at fair value through profit or loss	4	(152,532)	680,282
Share of net profits of associates	15	(30,445)	(8,313)
Share of net losses of joint ventures	16	2,458	1,895
Reversal of impairment loss on investment in an associate		(14,973)	—
Equity-settled share-based payment expenses		(25,538)	31,783
Net gain on disposal of subsidiaries	4	(23,917)	(5,357)
Net (gain)/loss on the dilution of interests in associates	4	(1,371)	63,625
Loss on disposal of investment properties		—	5,668
Impairment loss on intangible assets	12	126,484	20,300
Impairment loss on goodwill	13	199,437	258,327
Impairment loss on trade and other receivables	5(c)	440,621	246,229
Others		228	5,221
<b>Changes in working capital</b>			
Increase in inventories		(1,095,908)	(509,569)
Increase in trade and other receivables		(1,302,917)	(4,679,304)
Increase in contract assets		(2,757)	(9,512)
Increase in trade and other payables		647,752	3,580,020
Increase in contract liabilities		994,395	1,202,616
Increase in deferred income		461	3,585
<b>Cash (used in)/generated from operations</b>		<b>(163,538)</b>	<b>144,126</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

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

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

	Interest-bearing borrowings RMB'000 (note 25)	Lease liabilities RMB'000 (note 26)	Amounts due to related parties RMB'000 (note 34(c))	Total RMB'000
<b>At 1 January 2020</b>	<b>18,490,613</b>	<b>25,721</b>	<b>468,302</b>	<b>18,984,636</b>
<b>Changes from financing cash flows:</b>				
Advance from related parties	–	–	86,524	86,524
Repayment to related parties	(3,242)	–	(396,109)	(399,351)
Proceeds from new bank loans and loans from other financial institutions	13,742,095	–	–	13,742,095
Repayment of bank loans and loans from other financial institutions	(11,263,342)	–	–	(11,263,342)
Proceeds from other loans	13,217,452	–	–	13,217,452
Repayment of other loans	(13,542,774)	–	–	(13,542,774)
Capital element of lease rentals paid	–	(14,878)	–	(14,878)
Interest element of lease rentals paid	–	(1,144)	–	(1,144)
<b>Total changes from financing cash flows</b>	<b>2,150,189</b>	<b>(16,022)</b>	<b>(309,585)</b>	<b>1,824,582</b>
<b>Other changes:</b>				
Increase in lease liabilities from entering into new leases during the year	–	29,879	–	29,879
COVID-19 related rent concessions received (note 11(a))	–	(1,064)	–	(1,064)
Interest expenses (note 5(a))	–	1,144	–	1,144
Decrease from disposal of subsidiaries	(234,220)	(4,680)	–	(238,900)
Reclassification of liabilities	273,000	–	(20,000)	253,000
<b>Total other changes</b>	<b>38,780</b>	<b>25,279</b>	<b>(20,000)</b>	<b>44,059</b>
<b>At 31 December 2020</b>	<b>20,679,582</b>	<b>34,978</b>	<b>138,717</b>	<b>20,853,277</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

### (c) Reconciliation of liabilities arising from financing activities (Continued)

	Interest-bearing borrowings RMB'000 (note 25)	Lease liabilities RMB'000 (note 26)	Amounts due to related parties RMB'000	Total RMB'000
<b>At 1 January 2019</b>	14,225,944	24,882	649,391	14,900,217
<b>Changes from financing cash flows:</b>				
Advance from related parties	28,242	–	343,053	371,295
Repayment to related parties	(36,000)	–	(507,648)	(543,648)
Proceeds from new bank loans and loans from other financial institutions	9,920,876	–	–	9,920,876
Repayment of bank loans and loans from other financial institutions	(8,233,736)	–	–	(8,233,736)
Proceeds from other loans	12,264,548	–	–	12,264,548
Repayment of other loans	(9,627,261)	–	–	(9,627,261)
Capital element of lease rentals paid	–	(14,123)	–	(14,123)
Interest element of lease rentals paid	–	(1,241)	–	(1,241)
<b>Total changes from financing cash flows</b>	<b>4,316,669</b>	<b>(15,364)</b>	<b>(164,595)</b>	<b>4,136,710</b>
<b>Other changes:</b>				
Increase in lease liabilities from entering into new leases during the year	–	14,962	–	14,962
Interest expenses (note 5(a))	–	1,241	–	1,241
Addition from acquisition of subsidiaries	–	–	16,500	16,500
Decrease from disposal of subsidiaries	(52,000)	–	(32,994)	(84,994)
<b>Total other changes</b>	<b>(52,000)</b>	<b>16,203</b>	<b>(16,494)</b>	<b>(52,291)</b>
<b>At 31 December 2019</b>	<b>18,490,613</b>	<b>25,721</b>	<b>468,302</b>	<b>18,984,636</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

### (d) Total cash outflow for leases

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

	2020 RMB'000	2019 RMB'000
Within operating cash flows	8,843	10,816
Within financing cash flows	16,022	15,364
	<b>24,865</b>	26,180

These amounts relate to the following:

	2020 RMB'000	2019 RMB'000
Lease rentals paid	<b>24,865</b>	26,180

### (e) Net cash outflow arising from the acquisition of subsidiaries

The recognised amounts of assets acquired and liabilities at the date of acquisition of subsidiaries comprise the following:

	RMB'000
Property, plant and equipment	543
Inventories	53,327
Trade and other receivables	4,632
Cash and cash equivalents	12,186
Trade and other payables	(57,030)
Contract liabilities	(9,625)
Goodwill arising on acquisition (note 13)	60,967
Total consideration paid in cash	65,000
Less: cash of subsidiaries acquired	12,186
	<b>52,814</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 24 TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade and bills payables (i)	<b>9,809,418</b>	10,522,064
Receipts in advance (ii)	<b>238,000</b>	268,324
Other payables and accruals	<b>2,913,846</b>	2,819,051
	<b>12,961,264</b>	13,609,439

The amount of deposits expected to be settled after more than one year is RMB21,981,000 (2019: RMB13,919,000). 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:

	2020 RMB'000	2019 RMB'000
Within 6 months	<b>3,464,900</b>	6,654,358
Over 6 months but within 12 months	<b>5,408,737</b>	3,006,755
Over 12 months	<b>935,781</b>	860,951
	<b>9,809,418</b>	10,522,064

- (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:

	2020 RMB'000	2019 RMB'000
Pledged bank deposits (note 22)	<b>4,590,284</b>	3,390,862
Wealth management products and trust products (note 18)	<b>2,803,162</b>	3,432,913
Investment properties (note 10)	<b>108,388</b>	98,965
Completed properties held for sale (note 19)	<b>332</b>	724
Property, plant and equipment (note 11)	<b>458</b>	–
	<b>7,502,624</b>	6,923,464

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 25 INTEREST-BEARING BORROWINGS

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

	2020 RMB'000	2019 RMB'000
<b>Current</b>		
Bank loans and loans from other financial institutions (note 25(a))	9,905,135	8,429,172
Loans from a joint venture	–	3,242
Other loans (note 25(b))	1,103,563	3,028,413
Loans from an entity controlled by Ultimate Controlling Party (note 25(c))	20,000	–
Discounted bank acceptance bills (note 25(d))	4,379,859	2,556,252
	<b>15,408,557</b>	14,017,079
<b>Non-current</b>		
Bank loans and loans from other financial institutions (note 25(a))	1,155,365	2,210,402
Other loans (note 25(b))	4,115,660	2,263,132
	<b>5,271,025</b>	4,473,534
	<b>20,679,582</b>	18,490,613

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

At 31 December 2020, the bank loans and loans from other financial institutions were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within one year or on demand	9,905,135	8,429,172
After 1 year but within 2 years	700,949	1,252,047
After 2 years but within 5 years	411,416	845,355
After 5 years	43,000	113,000
	<b>1,155,365</b>	2,210,402
	<b>11,060,500</b>	10,639,574

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 25 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:

	2020 RMB'000	2019 RMB'000
Secured/guaranteed	<b>10,310,334</b>	10,195,942
Unsecured	<b>750,166</b>	443,632
	<b>11,060,500</b>	10,639,574

(ii) At 31 December 2020, certain bank loans and loans from other financial institutions of RMB423,000,000 (2019: RMB5,000,000), RMB380,000,000 (2019: RMB544,000,000) and RMB944,898,000 (2019: RMB1,075,307,000) were guaranteed by a third party (a former director), related parties (note 34(c)) and the Group's subsidiaries, respectively. Certain bank loans and loans from other financial institutions of RMB8,617,436,000 (2019: RMB8,691,635,000) were secured by the following assets of the Group:

	2020 RMB'000	2019 RMB'000
Pledged bank deposits (note 22)	<b>2,073,966</b>	1,186,593
Trade receivables (note 21)	<b>24,739</b>	25,679
Other receivables (note 21)	<b>8,000</b>	8,000
Investment properties (note 10)	<b>14,563,300</b>	17,982,982
Investment properties under development (note 10)	<b>4,994,588</b>	4,140,002
Properties under development (note 19)	<b>278,058</b>	1,407,013
Completed properties held for sale (note 19)	<b>111,893</b>	217,909
Property, plant and equipment (note 11)	<b>115,898</b>	98,225
Wealth management products and trust products (note 18)	<b>518,321</b>	761,582
	<b>22,688,763</b>	25,827,985

(iii) Bank loans and loans from other financial institutions bear interest ranging from 2.85% to 11.00% per annum as at 31 December 2020 (2019: 3.95% to 14.00%).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 25 INTEREST-BEARING BORROWINGS (Continued)

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

- (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. Further details of the Group's management of liquidity risk are set out in note 31(b).

At 31 December 2020, bank loans and loans from other financial institutions of the Group of RMB4,906,638,000 (2019: RMB5,252,837,000) were not in compliance with the imposed covenants, of which RMB1,721,373,000 (2019: RMB3,361,864,000) 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.

### (b) Other Loans

At 31 December 2020, other loans were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within one year or on demand	1,103,563	3,028,413
After 1 year but within 2 years	2,078,480	–
After 2 years but within 5 years	2,037,180	2,263,132
	<b>5,219,223</b>	5,291,545

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 25 INTEREST-BEARING BORROWINGS (Continued)

### (b) Other Loans (Continued)

(i) As at 31 December 2020, other loans were secured as follows:

	2020 RMB'000	2019 RMB'000
Secured	–	2,350
Unsecured	5,219,223	5,289,195
	<b>5,219,223</b>	5,291,545

(ii) Other loans bear interest ranging from 4.00% to 10.00% per annum as at 31 December 2020 (2019: 4.00% to 10.00%).

(c) Loans from an entity controlled by Ultimate Controlling Party are unsecured and bear interest of 5.00% per annum as at 31 December 2020.

(d) The Group has discounted bank acceptance bills of RMB4,379,859,000 as at 31 December 2020 (2019: RMB2,556,252,000). The directors of the Company believed that 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 Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 26 LEASE LIABILITIES

As at 31 December 2020, the lease liabilities were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	15,108	13,531
After 1 year but within 2 years	12,954	7,208
After 2 years but within 5 years	6,916	4,982
	<b>19,870</b>	12,190
	<b>34,978</b>	25,721

## 27 EMPLOYEE RETIREMENT BENEFITS

### Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 14% — 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 28 EQUITY-SETTLED SHARE-BASED PAYMENTS

### (a) 2017 Share Option Scheme

The Group has adopted a share option scheme ("2017 Share Option Scheme") which granted a total of 45,667,950 share options to certain senior management of Shenzhen Sinoagri ("Shenzhen Sinoagri Management team") at total consideration of HK\$3.00 to subscribe shares of the Company. Each option gives the holder 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
<hr/>		
45,667,950		

The number of the options to be exercised after each vesting period is subject to a performance guarantee mechanism with reference to revenue and net profit of Shenzhen Sinoagri for the respective financial year as set out in the 2017 Share Option Scheme.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 28 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

### (a) 2017 Share Option Scheme (Continued)

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

	2020		2019	
	Weighted average exercise price HKD	Number of options	Weighted average exercise price HKD	Number of options
Outstanding at the beginning/end of the year	8.48	45,667,950	8.48	45,667,950
Exercisable at the end of the year	8.48	15,547,407	8.48	15,547,407

As at 31 December 2020, the remaining contractual life of share option scheme is 7 years (2019: 8 years).

#### 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.

In 2020, total expense of RMB20,201,000 for share options granted to the recipients was reversed in the consolidated statement of profit or loss due to the true-up for change of estimate made for the number of equity instruments for which service and non-market performance conditions are expected to be satisfied (2019: reversal of RMB5,657,000).

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 28 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

### (b) Management Shares Award Scheme

On 22 December 2017, total 8,059,050 awarded shares were granted to Shenzhen Sinoagri Management team. The grant date is 22 December 2017. The purposes of the award shares 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 awarded shares granted to the grantees will vest in 5 equal instalments upon the publication of the annual report of the Company for each financial year ended 2017 to 2021. The number of awarded shares to be vested in each instalment 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 2017 Share Option Scheme.

The awarded shares granted were issued on 22 December 2017 and movements in the number of shares held for Management Shares for the year ended 31 December 2020 are as follows:

	2020	2019
Number of Management Shares granted but not yet vested at the beginning of the year	5,315,390	6,447,240
Vested during the year	–	(1,131,850)
Number of Management Shares granted but not yet vested at the end of the year	5,315,390	5,315,390

The total fair value of the awarded shares amounted to RMB59,175,000. The estimated fair value of the award shares on the grant date is determined by reference to the market price of the Company's shares at that date. Total expense of RMB7,908,000 was reversed in the consolidated statement of profit or loss for the year ended 31 December 2020 (2019: reversal of RMB2,332,000) due to the true-up for change of estimate made for the number of equity instruments for which service and non-market performance conditions are expected to be satisfied, with a corresponding decrease in equity-settled share-based payment reserve within equity.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 28 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

### (c) VKC Consultancy Service Consideration Shares

As one of the conditions of the acquisition of Shenzhen Sinoagri, the Company entered into a consultancy agreement with Vision Knight Capital Management Company Limited ("VKC", a company incorporated in Cayman Islands with limited liability and a company controlled by Mr. Wei Zhe), pursuant to which VKC as the consultant will provide E-commerce development related services in PRC to the Company for a term of three years from 28 June 2017 at a consultancy fee which will be satisfied by the allotment and issue of 42,981,000 ordinary shares ("VKC Consultancy Service Consideration Shares") of the Company to VKC, subject to satisfaction by Shenzhen Sinoagri of the performance conditions for any of the three financial years from 2017 to 2019. The performance conditions are the same conditions as stated in performance guarantee mechanism set out in the 2017 Share Option Scheme with reference to revenue and net profit of Shenzhen Sinoagri. The VKC Consultancy Service Consideration Shares will be released to VKC under a lock-up arrangement.

Movements in the number of shares granted for VKC Consultancy Service Consideration Shares for the year ended 31 December 2020 are as follows:

	2020	2019
Number of shares granted but not yet vested at the beginning of the year	25,788,600	34,384,800
Vested during the year	(25,788,600)	(8,596,200)
Number of shares granted but not yet vested at the end of the year	–	25,788,600

The fair value of the granted shares is determined based on the market price of the Company's shares during the service rendering period and discount for lack of marketability, which is determined based on Asian put option pricing model. The Group recognised share-based payment expenses of RMB2,540,000 for the year ended 31 December 2020 (2019: RMB27,925,000) with a corresponding increase in equity-settled share-based payment reserve within equity.

Share price determined at the measurement date	HKD4.92
Expiry date	30 April 2018, 2019, 2020, 2021 and 2022
Volatility	31.548% to 46.990%
Risk free rate	0.429% to 0.677%

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 28 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

### (d) 2018 Share Option Scheme

The Group has adopted a share option scheme ("2018 Share Option Scheme") which granted a total of 50,000,000 share options during year ended 31 December 2018, to the eligible participants to subscribe shares of the Company. Each option gives the holder 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:**

Date granted	Vesting date	Expiry date	Number of shares option granted		Exercise price	Total
			Directors	Employee		
4 Sep 2018	the first trading date after the 12-month period from the date of grant	the last trading date of the 24-month period from the date of grant	1,500,000	13,500,000	HKD6.66	15,000,000
4 Sep 2018	the first trading date after the 24-month period from the date of grant	the last trading date of the 36-month period from the date of grant	1,500,000	13,500,000	HKD6.66	15,000,000
4 Sep 2018	the first trading date after the 36-month period from the date of grant	the last trading date of the 48-month period from the date of grant	2,000,000	18,000,000	HKD6.66	20,000,000

The number of the options to be exercised after each vesting period is subject to fulfilment of certain financial performance targets as set out in the 2018 Share Option Scheme.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 28 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

### (d) 2018 Share Option Scheme (Continued)

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

	2020		2019	
	Weighted average exercise price HKD	Number of options	Weighted average exercise price HKD	Number of options
Outstanding at the beginning of the year	6.66	31,220,000	6.66	48,700,000
Lapsed during the year	6.66	(15,060,000)	6.66	(17,480,000)
Outstanding at the end of the year	6.66	16,160,000	6.66	31,220,000
Exercisable at the end of the year	–	–	–	–

As at 31 December 2020, the weighted average remaining expected contractual life of share option scheme is 1.25 years (2019: 1.81 years).

#### 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 HKD1.71 and the significant inputs into the model are listed as follows:

Share price determined at the measurement date	HKD6.36
Exercise price	HKD6.66
Time to maturity	2–4 years
Exercise multiple	2.80
Volatility	33.66%–43.76%
Estimated dividend yields	0.48%
Risk free rate	1.98%–2.10%
Pre-vesting exit rate	0%
Post-vesting exit rate	4.5%

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 recognised in the consolidated statement of profit or loss for the years ended 31 December 2020 and 2019 as performance condition was not satisfied.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2020 RMB'000	2019 RMB'000
<b>Current tax assets:</b>		
PRC CIT	12,761	9,597
PRC LAT	10,458	10,941
	<b>23,219</b>	20,538
<b>Current tax liabilities:</b>		
PRC CIT	401,546	359,148
PRC LAT	146,359	143,022
	<b>547,905</b>	502,170

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

#### (i) Movement of each component of deferred tax assets and liabilities

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

	Provision for PRC LAT RMB'000	Fair value adjustments for investment properties RMB'000	Tax loss RMB'000	Fair value adjustment of intangible assets through business combination RMB'000	Credit loss allowance RMB'000	Others RMB'000	Total RMB'000
Deferred tax arising from:							
At 1 January 2019	33,663	(4,517,215)	22,300	(177,174)	112,010	(47,546)	(4,573,962)
(Charged)/credited to profit or loss	(960)	(613,405)	3,471	16,738	34,783	10,549	(548,824)
Acquisition of subsidiaries	-	-	-	-	354	-	354
Disposal of subsidiaries	-	-	(905)	-	(20,385)	(363)	(21,653)
At 31 December 2019/ 1 January 2020	<b>32,703</b>	<b>(5,130,620)</b>	<b>24,866</b>	<b>(160,436)</b>	<b>126,762</b>	<b>(37,360)</b>	<b>(5,144,085)</b>
(Charged)/credited to profit or loss	1,272	106,590	(6,858)	40,485	74,117	(1,252)	214,354
Disposal of subsidiaries	-	-	-	-	(12)	11,875	11,863
At 31 December 2020	<b>33,975</b>	<b>(5,024,030)</b>	<b>18,008</b>	<b>(119,951)</b>	<b>200,867</b>	<b>(26,737)</b>	<b>(4,917,868)</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

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

#### (ii) Reconciliation to the consolidated statement of financial position

	2020 RMB'000	2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	322,816	247,611
Net deferred tax liabilities recognised in the consolidated statement of financial position	(5,240,684)	(5,391,696)
	<b>(4,917,868)</b>	<b>(5,144,085)</b>

### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(w), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB2,043,063,000 as at 31 December 2020 (2019: RMB1,318,409,000). The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available from these subsidiaries. Cumulative tax losses of RMB2,008,643,000 (2019: RMB1,236,866,000) will expire within 5 years under current tax legislation.

### (d) Deferred tax liabilities not recognised

As at 31 December 2020, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB17,768,027,000 (2019: RMB18,562,690,000). Deferred tax liabilities of RMB1,776,803,000 (2019: RMB1,856,269,000) 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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 30 CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity

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

#### Company

	Share capital RMB'000	Share premium RMB'000	Shares held for various incentive plans RMB'000	Equity-settled share-based payment reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Note	30(b)	30(c)(i)		30(c)(iv)	30(c)(iii)		
<b>1 January 2019</b>	32,437	4,524,302	(396,687)	221,164	(31,526)	(434,806)	3,914,884
<b>Changes in equity for 2019:</b>							
Total comprehensive loss for the year	-	-	-	-	30,031	(55,474)	(25,443)
Acquisition of non-controlling interest of subsidiaries	296	172,066	-	-	-	-	172,362
Equity-settled share-based payment for employee	28	(35,932)	78,183	(38,467)	-	-	3,784
Equity-settled share-based payment for non-employee	28	(21,733)	69,869	(20,211)	-	-	27,925
<b>At 31 December 2019</b>	32,733	4,638,703	(248,635)	162,486	(1,495)	(490,280)	4,093,512

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (a) Movements in components of equity (Continued)

		Share capital RMB'000 30(b)	Share premium RMB'000 30(c)(i)	Shares held for various incentive plans RMB'000	Equity- settled share-based payment reserve RMB'000 30(c)(iv)	Exchange reserve RMB'000 30(c)(iii)	Accumulated losses RMB'000	Total equity RMB'000
	Note							
1 January 2020		32,733	4,638,703	(248,635)	162,486	(1,495)	(490,280)	4,093,512
<b>Changes in equity for 2020:</b>								
Total comprehensive loss for the year		-	-	-	-	(80,044)	(17,290)	(97,334)
Equity-settled share-based payment for employee	28	-	-	-	(28,109)	-	-	(28,109)
Equity-settled share-based payment for non-employee	28	-	(126,385)	209,606	(80,681)	-	-	2,540
<b>At 31 December 2020</b>		<b>32,733</b>	<b>4,512,318</b>	<b>(39,029)</b>	<b>53,696</b>	<b>(81,539)</b>	<b>(507,570)</b>	<b>3,970,609</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (b) Share capital

	2020		2019	
	Number of shares ('000)	Amount HKD'000	Number of shares ('000)	Amount HKD'000
<b>Authorised:</b>				
Ordinary shares of HKD0.00333 each	24,000,000	80,000	24,000,000	80,000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	11,782,826	39,275	11,681,732	38,938
Issuance of new shares as consideration for acquisition of non-controlling interest of a subsidiary	–	–	101,094	337
At 31 December	11,782,826	39,275	11,782,826	39,275

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.

### (c) Reserves

#### (i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

#### (ii) PRC statutory reserve

Pursuant to the Articles of Association of the Group's PRC subsidiaries and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance with accounting rules and regulations of the PRC until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the PRC subsidiaries provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (c) Reserves (Continued)

#### (iii) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out in note 1(z).

#### (iv) Equity-settled share-based payment reserve

Share-based payment reserve comprises the following:

- The portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for the share-based payments in note 1(v); and
- The portion of the grant date fair value of unreleased Management Shares granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for the share-based payments in note 1(v).

#### (v) Other reserves

The balance primarily comprises capital reserve surplus/deficit arising from the difference between the deemed consideration and the corresponding net assets value at the respective date of the transactions with owners in their capacity as the equity owners.

#### (vi) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately before its reclassification as investment property.

#### (vii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see note 1(g)).

### (d) 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.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (d) Capital management (Continued)

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 fixed deposits with banks with original maturity over three months, pledged bank deposits and cash and cash equivalents. Adjusted capital comprises all components of equity.

During 2020, the Group's strategy, which was unchanged from 2019, was 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.

The Group's adjusted net debt-to-capital ratio at the end of the current and previous reporting periods and at the date of transition to IFRS 16 was as follows:

	Note	2020 RMB'000	2019 RMB'000
Current liabilities:			
Interest-bearing borrowings	25	15,408,557	14,017,079
Lease liabilities	26	15,108	13,531
Non-current liabilities:			
Interest-bearing borrowings	25	5,271,025	4,473,534
Lease liabilities	26	19,870	12,190
Total debt		20,714,560	18,516,334
Less: Fixed deposits with banks with original maturity over three months		–	30,014
Pledged bank deposits	22	6,695,764	4,680,345
Cash and cash equivalents	23	1,184,708	1,243,944
Adjusted net debt		12,834,088	12,562,031
Total equity attributable to equity shareholders of the Company		17,870,129	19,078,994
Adjusted net debt-to-capital ratio		71.82%	65.84%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (e) Dividends

#### (i) Dividends payable to equity shareholders of the Company attributable to the year

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2020 and 2019.

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

No dividends in respect of the previous financial year were approved and paid during the year ended 31 December 2020 and 2019.

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investment in other entities and movement in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade debtors and other receivables and loans and factoring receivables. The Group's exposure to credit risk arising from cash and cash equivalents, fixed deposits with banks with original maturity over three months, pledged bank deposits and bills receivable is limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 33, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 33.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

*(Continued)*

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

#### **Trade debtors and other receivables**

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0-60 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, nil (2019: nil) and nil (2019: nil) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the segment of supply chain management and trading.

The Group measures loss allowances for trade debtors and other receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (a) Credit risk (Continued)

#### Trade debtors and other receivables (Continued)

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

	2020		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current or less than one year past due	1%	7,282,165	87,727
One to two years past due	50%	424,206	210,477
Two to three years past due	79%	264,090	209,690
Over three years past due	91%	151,697	138,058
		<b>8,122,158</b>	<b>645,952</b>

  

	2019		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current or less than one year past due	3%	6,873,673	198,965
One to two years past due	14%	686,539	97,125
Two to three years past due	23%	141,241	32,354
Over three years past due	53%	124,198	65,630
		<b>7,825,651</b>	<b>394,074</b>

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (a) Credit risk (Continued)

#### Trade debtors and other receivables (Continued)

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

	2020 RMB'000	2019 RMB'000
Balance at 1 January	394,074	348,679
Addition through acquisition of subsidiaries	–	1,348
Amounts written off during the year	(135,491)	(156,546)
Impairment losses recognised during the year (note 5(c))	387,514	201,237
Disposals arising from disposal of subsidiaries	(145)	(644)
Balance at 31 December	645,952	394,074

#### Loans and factoring receivables

The Group has put in place continuous monitoring mechanism, with regular reporting of credit exposures to internal management of credit risk. The Group's credit risk management covers key operational phases, including pre-lending evaluations, credit approval, and post-lending monitoring. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

#### Measurement of ECL

Based on whether there is a significant increase in credit risk and whether the asset has incurred credit impairment, the Group measures allowances for loss of different assets with 12-month ECL or lifetime ECL respectively.

The Group measures loss provision of the financial instruments that meet the following conditions according to the amount of expected credit losses within the next 12 months, and measures loss allowances for other financial instruments in accordance with the amount of lifetime expected credit losses.

- The financial instruments that are determined to have low credit risk at the reporting date; or
- The financial instruments for which credit risk has not increased significantly since initial recognition.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

*(Continued)*

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

#### Loans and factoring receivables *(Continued)*

##### Measurement of ECL *(Continued)*

#### (i) Significant increase in credit risk

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial instruments has increased significantly.

If one or more of the following criteria are met:

- The credit spread increases significantly;
- Significant changes with an adverse effect that have taken place in the counterparty's business, financial and economic status;
- Application of a grace period or debt-restructuring;
- Significant changes with an adverse effect in the counterparty's operating conditions;
- Less value of the collaterals (for the collateralised loans and pledged loans only);
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans;
- The payment is more than 30 days past due.

As at 31 December 2020, the Group has not considered that any of its financial instruments has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

#### (ii) Definition of "default" and "credit-impaired assets"

When a financial instrument meets one or more of the following conditions, the Group considers the financial asset to be in default, and the criteria are consistent with the definition of credit-impaired assets.

#### (a) Quantitative criterion

The financial asset is more than 90 days past due.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

*(Continued)*

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

#### Loans and factoring receivables *(Continued)*

##### Measurement of ECL *(Continued)*

#### (ii) Definition of "default" and "credit-impaired assets" *(Continued)*

##### (b) Qualitative criterion

The counterparty meets the criterion of "having difficulty in repayment", which indicates that the counterparty has significant financial difficulty, including:

- the counterparty has been in the grace period for a long time;
- the death of the counterparty;
- the counterparty enters bankruptcy;
- the counterparty breaches (one or more) terms of the contract that the debtor shall be subject to;
- the disappearance of an active market for the related financial asset because of financial difficulties faced by the counterparty;
- the creditor make concessions due to the financial difficulties faced by the counterparty;
- it becomes probable that the counterparty will enter bankruptcy;
- a higher discount was obtained during the acquisition of assets, and the assets has incurred credit loss when they are acquired.

The above criteria apply to all financial instruments of the Group and they are consistent with the definition of "default" adopted by the internal management of credit risk.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

*(Continued)*

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

#### Loans and factoring receivables *(Continued)*

##### Measurement of ECL *(Continued)*

(iii) Notes to the parameters, assumptions and valuation techniques

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a counterparty will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future months. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future months. The results of calculation for each month are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

*(Continued)*

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

#### Loans and factoring receivables *(Continued)*

##### Measurement of ECL *(Continued)*

#### (iii) Notes to the parameters, assumptions and valuation techniques *(Continued)*

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

- In respect of the loans receivables, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the counterparty.
- The Group determines the 12-month LGD and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD.

The Group regularly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Both the assessment of the significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including GDP, increase in RMB loans, PPI, etc..

There has been no significant changes in the valuation techniques and key assumptions during the reporting period.

#### (iv) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of reporting period is disclosed in note 33.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (a) Credit risk (Continued)

#### Loans and factoring receivables (Continued)

Measurement of ECL (Continued)

(v) The credit quality of financial assets is analysed as follows:

(a) Analysed by nature

	2020 RMB'000	2019 RMB'000
<b>Loans and factoring receivables</b>		
Corporate loans	1,564,346	1,343,682
Corporate factoring	83,898	27,823
Personal business loans	64,613	92,496
Gross loans and factoring receivables	1,712,857	1,464,001
Accrued interest	70,605	73,182
Less: Allowances for impairment losses on loans and factoring receivables	(181,082)	(127,975)
<b>Net loans and factoring receivables</b>	<b>1,602,380</b>	<b>1,409,208</b>

(b) Analysed by industry sector

	2020		Loans and factoring receivables secured by collaterals RMB'000
	Amount RMB'000	Percentage %	
Commodities trading	1,604,918	94%	1,598,675
Others	43,326	3%	43,326
Sub-total of corporate loans and factoring	1,648,244	97%	1,642,001
Personal business loans	64,613	3%	57,833
Gross loans and factoring receivables	1,712,857	100%	1,699,834

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (a) Credit risk (Continued)

#### Loans and factoring receivables (Continued)

Measurement of ECL (Continued)

(v) The credit quality of financial assets is analysed as follows: (Continued)

(b) Analysed by industry sector (Continued)

	2019		Loans and factoring receivables secured by collaterals RMB'000
	Amount RMB'000	Percentage %	
Commodities trading	1,343,682	92%	1,337,439
Others	27,823	2%	27,823
Sub-total of corporate loans and factoring	1,371,505	94%	1,365,262
Personal business loans	92,496	6%	85,412
Gross loans and factoring receivables	1,464,001	100%	1,450,674

All of the loans and factoring receivables as at 31 December 2020 and 2019 were within the PRC.

(c) Analysed by type of collateral

	2020 RMB'000	2019 RMB'000
Unsecured	13,023	13,327
Collateralised	1,699,834	1,450,674
Gross loans and factoring receivables	1,712,857	1,464,001
Accrued interest	70,605	73,182
Less: Allowances for impairment losses on loans and factoring receivables	(181,082)	(127,975)
<b>Net loans and factoring receivables</b>	<b>1,602,380</b>	<b>1,409,208</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (a) Credit risk (Continued)

#### Loans and factoring receivables (Continued)

Measurement of ECL (Continued)

(v) The credit quality of financial assets is analysed as follows: (Continued)

(d) Overdue loans and factoring receivables analysed by overdue period

	2020			Total RMB'000
	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	
Collateralised	6,437	37,928	152,891	197,256
As a percentage of gross loans and factoring receivables	0.38%	2.21%	8.93%	11.52%
	2019			Total RMB'000
	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	
Collateralised	–	40,511	171,929	212,440
As a percentage of gross loans and factoring receivables	–	2.77%	11.74%	14.51%

Overdue loans and factoring receivables represent loans or factoring, of which the whole or part of the principal or interest are overdue for one day or more.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (a) Credit risk (Continued)

#### Loans and factoring receivables (Continued)

##### Measurement of ECL (Continued)

(v) The credit quality of financial assets is analysed as follows: (Continued)

(e) Allowances for impairment losses

	2020			Total RMB'000
	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit-impaired RMB'000	
Gross loans and factoring receivables	1,335,345	167,233	210,279	1,712,857
Accrued interest receivable	4,196	65,776	633	70,605
Less: Allowances for impairment losses	(1,041)	(368)	(179,673)	(181,082)
Carrying amount of loans and factoring receivables	1,338,500	232,641	31,239	1,602,380
	2019			
	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Gross loans and factoring receivables	1,194,297	43,936	225,768	1,464,001
Accrued interest receivable	23,097	49,910	175	73,182
Less: Allowances for impairment losses	(1,306)	(252)	(126,417)	(127,975)
Carrying amount of loans and factoring receivables	1,216,088	93,594	99,526	1,409,208

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (a) Credit risk (Continued)

#### Loans and factoring receivables (Continued)

Measurement of ECL (Continued)

(v) The credit quality of financial assets is analysed as follows: (Continued)

(f) Movements of allowances for impairment losses

	2020			
	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit- impaired RMB'000	Total RMB'000
As at 1 January	1,306	252	126,417	127,975
Transferred				
— to lifetime ECL not credit-impaired	(126)	126	—	—
— to lifetime ECL credit-impaired	—	(1,036)	1,036	—
Charged for the year	1,042	1,276	53,926	56,244
Recoveries	(1,181)	(250)	(1,706)	(3,137)
As at 31 December	1,041	368	179,673	181,082
	2019			
	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit- impaired RMB'000	Total RMB'000
As at 1 January	6,554	4,004	143,301	153,859
Transferred				
— to lifetime ECL not credit-impaired	(157)	157	—	—
Charged for the year	539	202	48,226	48,967
Recoveries	(2,358)	(1,617)	—	(3,975)
Disposal of a subsidiary	(3,272)	(2,494)	(65,110)	(70,876)
As at 31 December	1,306	252	126,417	127,975

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (a) Credit risk (Continued)

#### Loans and factoring receivables (Continued)

##### Measurement of ECL (Continued)

(v) The credit quality of financial assets is analysed as follows: (Continued)

(g) The credit quality of financial assets is analysed as follows:

	2020 RMB'000	2019 RMB'000
Balance of financial assets that are assessed for expected credit losses over the next 12 months — Neither overdue nor credit-impaired	<b>1,335,345</b>	1,194,297
Balance of financial assets that are not credit impaired and assessed for lifetime expected credit losses — Neither overdue nor credit-impaired	<b>167,233</b>	43,936
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses — Overdue and credit-impaired	<b>210,279</b>	225,768
Accrued interest	<b>70,605</b>	73,182
Less: Allowances for impairment losses	<b>(181,082)</b>	(127,975)
<b>Total</b>	<b>1,602,380</b>	1,409,208

The fair value of collaterals held against loans and factoring receivables credit-impaired as at 31 December 2020 and 2019 amounted to RMB57,770,000 and RMB105,419,000, respectively. The collaterals mainly include sugar and other commodities. The fair value of collaterals was estimated by the Group based on the market prices obtained from secondary markets, adjusted in light of disposal experience and current market conditions.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands subject to approval by the Company's management when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Note 1(b) explains management's plans for managing the liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

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

	2020					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Interest-bearing borrowings (excluding discounted bank acceptance bills)	11,731,828	2,989,216	2,898,617	44,454	17,664,115	16,299,723
Trade and other payables (excluding receipts in advance)	12,701,283	21,981	-	-	12,723,264	12,723,264
Lease liabilities	16,232	13,033	7,465	-	36,730	34,978
Amounts due to related parties	138,717	-	-	-	138,717	138,717
	24,588,060	3,024,230	2,906,082	44,454	30,562,826	29,196,682

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (b) Liquidity risk (Continued)

	2019					Total RMB'000	Carrying amount RMB'000
	Contractual undiscounted cash outflow	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	More than 5 years		
	Within 1 year or on demand RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Interest-bearing borrowings (excluding discounted bank acceptance bills)	12,383,481	1,380,931	3,450,183	118,972	17,333,567	15,934,361	
Trade and other payables (excluding receipts in advance)	13,327,196	13,919	-	-	13,341,115	13,341,115	
Lease liabilities	14,203	7,641	5,479	-	27,323	25,721	
Amounts due to related parties	95,072	373,230	-	-	468,302	468,302	
	25,819,952	1,775,721	3,455,662	118,972	31,170,307	29,769,499	

#### (ii) Sensitivity analysis

Bank loans and loans from other financial institutions of RMB4,840,162,000 (2019: RMB6,358,644,000) were secured by the Group's certain investment properties, investment properties under development, properties under development for sale and completed properties held for sale with total carrying amounts of RMB19,947,839,000 at 31 December 2020 (2019: RMB23,747,906,000). If the fair value of these pledged properties decreased by 10%, with all other variables held constant, 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 sensitivity analysis, the Group has considered, among other things, the nature and the value of its overall property portfolio, including those properties that are currently not pledged.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (c) Interest rate risk

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

The interest rates and terms of repayment of interest-bearing borrowings of the Group are disclosed in note 25 to the consolidated financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

#### (i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of the reporting period.

	Notional amount	
	2020 RMB'000	2019 RMB'000
<b>Fixed rate borrowings:</b>		
Lease liabilities	34,978	25,721
Interest-bearing borrowings	17,362,686	14,405,639
	<b>17,397,664</b>	14,431,360
<b>Variable rate borrowings:</b>		
Interest-bearing borrowings	3,316,896	4,084,974
Total borrowings	<b>20,714,560</b>	18,516,334
Fixed rate borrowings as a percentage of total borrowings	<b>84%</b>	78%

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

*(Continued)*

### (c) Interest rate risk *(Continued)*

#### (ii) Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after tax and decrease/increase retained profits by approximately RMB12,438,000 (2019: decrease/increase the Group's profit after tax and retained profits by approximately RMB15,319,000) in response to the general increase/decrease in interest rates, which has not taken into account of interest capitalisation to property for sales.

For the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2019.

### (d) Currency risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The management does not expect that there will be any significant currency risk for the Group for the years ended 31 December 2020 and 2019.

### (e) Equity price risk

The Group is exposed to equity price changes arising from listed equity investments classified as financial assets at fair value through profit or loss (see note 18).

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the stock market index as well as the Group's liquidity needs.

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 of the Group for the acquisition of Shenzhen Sinoagri.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (e) Equity price risk (Continued)

At 31 December 2020, it is estimated that an increase/(decrease) of 10% in the relevant stock market index (for listed investments) and the Company's own share price (for contingent consideration) as applicable, with all other variables held constant, would have (decreased)/increased the Group's loss after tax and increased/(decreased) retained profits as follows:

	2020			2019		
	%	Effect on loss after tax RMB'000	Effect on retained profits RMB'000	%	Effect on profit after tax RMB'000	Effect on retained profits RMB'000
<b>Changes in the relevant equity price risk variable:</b>						
(Decrease)/increase	10%	(26,675)	26,675	10%	27,726	27,726
Increase/(decrease)	(10%)	26,675	(26,675)	(10%)	(27,726)	(27,726)

The sensitivity analysis indicates the instantaneous change in the Group's loss after tax (and retained profits) that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2019.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (f) Fair value measurement

#### (i) Financial assets and liabilities measured at fair value

##### Fair value hierarchy

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

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

	Fair value at	Fair value measurements as at			Fair value at	Fair value measurements as at		
	31 December	31 December 2020 categorised into			31 December	31 December 2019 categorised into		
	2020	Level 1	Level 2	Level 3	2019	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Recurring fair value measurements</b>								
Assets:								
— Listed equity securities	94,502	94,502	-	-	95,287	95,287	-	-
— Wealth management products and trust products	3,406,573	-	3,406,573	-	4,214,546	14,000	4,200,546	-
— Forward contracts	177,459	26,824	150,635	-	295,525	-	295,525	-
— Contingent consideration	172,851	-	-	172,851	189,606	-	-	189,606
— Equity investments at fair value through other comprehensive income	8,702	-	8,702	-	8,702	-	8,702	-
Liabilities:								
— Forward contracts	155,959	-	155,959	-	295,525	-	295,525	-

During the years ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (f) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

*Valuation techniques and inputs used in Level 2 fair value measurements*

The fair value of equity investment at fair value through other comprehensive income is determined under the market approach.

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.

*Information about Level 3 fair value measurements*

	Valuation techniques	Significant unobservable inputs	Input value
Contingent consideration for acquisition of Shenzhen Sinoagri	Probabilistic method	Occurrence probability of financial forecasts, financial forecast	80% (base case); 10% (bull and bear cases)
Contingent consideration for acquisition of HSH	Probabilistic method	Occurrence probability of financial forecasts, financial forecast	70% (base case); 20% (bull case); 10% (bear case)
Convertible redeemable preference shares	Option-pricing model	Financial forecasts	Not applicable

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

### (f) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements (Continued)

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

	2020 RMB'000	2019 RMB'000
<b>Contingent consideration</b>		
Balance at 1 January	188,730	286,481
Acquisition of non-controlling interests	–	76,135
Net change in fair value (note 4)	(14,131)	(165,722)
Settlement	(1,748)	(8,164)
Balance at 31 December	172,851	188,730

	2020 RMB'000	2019 RMB'000
<b>Convertible redeemable preference shares of a subsidiary</b>		
Balance at 1 January	19,273	59,024
Exchange difference	(510)	(2,034)
Net change in fair value (note 4)	(13,617)	(37,717)
Reclassified to equity	(5,146)	–
Balance at 31 December	–	19,273

#### (ii) Fair values 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 are not materially different from their fair values as at 31 December 2020 and 2019.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 32 COMMITMENTS

The Group's capital commitments outstanding as at 31 December 2020 in respect of investment properties under development and properties under development not provided for in the financial statement were as follows:

	2020 RMB'000	2019 RMB'000
Contracted but not provided for		
— Investment properties under development	95,419	85,740
— Properties under development	1,493,148	1,955,259
	<b>1,588,567</b>	2,040,999

## 33 CONTINGENT LIABILITIES

	2020 RMB'000	2019 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (i)	386,989	514,692
Guarantees given to a financial institution for interest-bearing borrowings of an entity which is 20% indirectly held by Ultimate Controlling Party	179,220	—
Other financial guarantee	7,209	30,000
	<b>573,418</b>	544,692

- (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 Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 34 MATERIAL RELATED PARTY TRANSACTIONS

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

Ultimate Controlling Party refer 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 as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8 is as follows:

	2020 RMB'000	2019 RMB'000
Wages, salaries and other benefits	17,309	15,792
Contribution to defined benefit retirement scheme	473	461
Equity-settled share-based payment expenses	(2,994)	10,975
	14,788	27,228

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (b) Other transactions with related parties

	2020 RMB'000	2019 RMB'000
(i) Advances from related parties		
— Immediate Parent	–	3,230
— Associates	<b>42,454</b>	87,480
— Joint ventures	<b>12,963</b>	–
— Entities controlled by Ultimate Controlling Party	<b>8,138</b>	241,807
— An entity controlled by a director	–	10,000
(ii) Repayments to related parties		
— Immediate Parent	<b>303,721</b>	–
— Entities controlled by a director	<b>10,000</b>	–
— Associates	<b>55,627</b>	57,389
— Non-controlling interests of subsidiaries	–	307,019
— Entities controlled by Ultimate Controlling Party	<b>22,097</b>	450,044
(iii) Advances to related parties		
— Associates	<b>230,108</b>	681,502
— Joint ventures	<b>779,670</b>	2,310,956
— Entities controlled by Ultimate Controlling Party	<b>610</b>	612,213
— Entities controlled by non-controlling interests of subsidiaries	<b>37,327</b>	1,029
(iv) Repayment from related parties		
— Associates	<b>444,385</b>	137,414
— Joint ventures	<b>886,784</b>	2,199,351
— Entities controlled by Ultimate Controlling Party	<b>1,836</b>	433,156
— Non-controlling interests of subsidiaries	–	30,603
— Entities controlled by non-controlling interests of subsidiaries	<b>7,500</b>	1,029
(v) Rental income		
— Entities controlled by Ultimate Controlling Party	<b>37,334</b>	39,455
(vi) Place deposits in		
— A bank significantly influenced by Ultimate Controlling Party	<b>20,302,997</b>	18,667,944
Withdraw deposits from		
— A bank significantly influenced by Ultimate Controlling Party	<b>(20,176,759)</b>	(18,703,950)
(vii) Sales of commodities to related parties		
— Associates	<b>376,161</b>	242,375
— Entities controlled by non-controlling interests of subsidiaries	<b>8,416</b>	–
(viii) Purchase of commodities from related parties		
— Associates	<b>256,749</b>	146,162
— Entities controlled by non-controlling interests of subsidiaries	<b>19,300</b>	83,503
(ix) Logistics and marketing services provided to a related party		
— An associate	–	79,154

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (c) Balance with related parties

	2020 RMB'000	2019 RMB'000
<b>Factoring receivables</b>		
— an associate	157	24,277

	2020 RMB'000	2019 RMB'000
<b>Loans to</b>		
— associates	24,712	76,373

Loans to associates as at 31 December 2020 bear interest of 8.40% per annum (2019: 8.40%) and are secured by agriculture products.

	2020 RMB'000	2019 RMB'000
<b>Trade prepayment to</b>		
— associates	45,643	40,261
— entities controlled by non-controlling interests of subsidiaries	5,000	84,135
	50,643	124,396

	2020 RMB'000	2019 RMB'000
<b>Amounts due from related parties</b>		
— associates	415,920	630,197
— joint ventures	75,630	182,744
— entities controlled by Ultimate Controlling Party	122,795	2,942
— key management personnel	4,896	5,036
— entities controlled by non-controlling interests of subsidiaries	29,827	—
	649,068	820,919

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

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (c) Balance with related parties (Continued)

As at 31 December 2020, amounts due from an associate of RMB339,194,000 (2019: RMB79,830,000) bear interest of 8.40% per annum (2019: 3.50% per annum), and amounts due from joint ventures of RMB28,940,000 (2019: RMB115,689,000) bear interest of 5.40% per annum (2019: 5.40% per annum). All the other amounts due from related parties as at 31 December 2020 were interest free.

	2020 RMB'000	2019 RMB'000
<b>Deposits in</b>		
— a bank significantly influenced by Ultimate Controlling Party	130,174	3,936

	2020 RMB'000	2019 RMB'000
<b>Interest-bearing borrowings</b>		
— an entity controlled by Ultimate Controlling Party (note 25(c))	20,000	
— a joint venture	–	3,242
	20,000	3,242

	2020 RMB'000	2019 RMB'000
<b>Amounts due to related parties</b>		
— associates	18,658	31,831
— a joint venture	12,963	–
— non-controlling interests of subsidiaries	26	26
— entities controlled by Ultimate Controlling Party	37,308	52,894
— Ultimate Controlling Party	3,900	–
— Immediate Parent	65,609	–
— key management personnel	253	321
— entities controlled by a director	–	10,000
	138,717	95,072

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (c) Balance with related parties (Continued)

	2020 RMB'000	2019 RMB'000
<b>Loans guaranteed by</b>		
— entities controlled by Ultimate Controlling Party	350,000	120,000
— a director of the Company	–	304,000
— an entity controlled by non-controlling interests of subsidiaries	–	120,000
— an associate	30,000	–
	<b>380,000</b>	<b>544,000</b>

No guarantee income was charged by related parties for the guarantee of loans.

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

Save for the related party transactions in respect of transactions 34(b)(v) and 34(b)(vi) above, none of the related party transactions set out above constitutes connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For details of the related party transactions 34(b)(v) and 34(b)(vi) above, please refer to the section "Continuing Connected Transaction" of the Directors' Report. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions of the Group.

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 35 DISPOSAL OF SUBSIDIARIES

### Disposal of total equity interest of Wuhan Zall Lugang Centre Investment Co., Ltd.\* (武漢卓爾陸港中心投資有限公司) (“Zall Lugang Centre”)

On 30 December 2020, the Group entered into a disposal agreement with Wuhan Kecheng Industrial Park Management Co., Ltd.\* (武漢科城產業園管理有限公司) (“Wuhan Kecheng”, which is 20% indirectly held by Ultimate Controlling Party) in relation to disposal total equity interest of Zall Lugang Centre at a consideration of RMB127,580,000. Zall Lugang Centre is principally engaged in property development.

The disposal of total equity interest of Zall Lugang Centre was completed in December 2020. The Group recognised a net loss of RMB31,693,000 on the disposal, which is calculated as follows:

	RMB'000
Net assets disposed	(159,273)
Consideration, satisfied in total equity interest of Wuhan Zhuolian Supply Chain Co., Ltd* (武漢卓聯供應鏈有限公司) (“Wuhan Zhuolian”)	127,580
Loss on disposal of a subsidiary	(31,693)

An analysis of the net inflow of cash and cash equivalents in respect of the above disposal of the equity interests is as follows:

	RMB'000
Cash and cash equivalents acquired	127,580
Cash and cash equivalents disposed of	(538)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	127,042

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 35 DISPOSAL OF SUBSIDIARIES (Continued)

### Disposal of total equity interest of Zall Development Group (Wuhan) Co., Ltd.\* (卓爾發展集團(武漢)有限公司) (“Zall Development Group”)

On 30 December 2020, the Group entered into a disposal agreement with Wuhan Kecheng in relation to disposal total equity interest of Zall Development Group at a consideration of RMB31,061,000. Zall Development Group, together with its subsidiaries including Wuhan North Hankou No.1 Mansion Construction Co., Ltd.,\* (武漢漢口北一號公館建設有限公司) Wuhan North Hankou Future City Development Co., Ltd.,\* (武漢漢口北未來城開發有限公司) Jingzhou Zall City Development Co., Ltd.\* (荊州卓爾城發展有限公司) and Wuhan North Hankou Yuecheng Industry Co., Ltd.,\* (武漢漢口北悅城實業有限公司) are principally engaged in property development.

The disposal of total equity interest of Zall Development Group was completed in December 2020. The Group recognised a net gain of RMB11,825,000 on the disposal, which is calculated as follows:

	RMB'000
Net assets disposed	(19,236)
Consideration, satisfied in cash	31,061
<b>Gain on disposal of subsidiaries</b>	<b>11,825</b>

An analysis of the net inflow of cash and cash equivalents in respect of the above disposal of the equity interests is as follows:

	RMB'000
Total aggregate cash consideration	31,061
Cash and cash equivalents disposed of	(8,246)
<b>Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries</b>	<b>22,815</b>

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 35 DISPOSAL OF SUBSIDIARIES (Continued)

### Disposal of total equity interest of Tianjin Zall City Development Co., Ltd.\* (天津卓爾城發展有限公司) (“Tianjin Zall City”)

On 30 December 2020, the Group entered into a disposal agreement with Wuhan Kecheng in relation to disposal total equity interest of Tianjin Zall City at a consideration of RMB165,016,000. Tianjin Zall City is principally engaged in property development.

The disposal of total equity interest of Tianjin Zall City was completed in December 2020. The Group recognised a net gain of RMB32,641,000 on the disposal, which is calculated as follows:

	RMB'000
Net assets disposed	(132,375)
Consideration, satisfied in cash	165,016
<hr/>	
Gain on disposal of a subsidiary	32,641

An analysis of the net inflow of cash and cash equivalents in respect of the above disposal of the equity interests is as follows:

	RMB'000
Total aggregate cash consideration	165,016
Cash and cash equivalents disposed of	(128)
<hr/>	
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	164,888

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2020 RMB'000	2019 RMB'000
<b>Non-current assets</b>			
Interests in subsidiaries	14	3,169,789	3,197,898
Property, plant and equipment		4,433	8,065
		<b>3,174,222</b>	3,205,963
<b>Current assets</b>			
Cash and cash equivalents		622	61,238
Trade and other receivables, prepayments		1,146,331	1,246,961
		<b>1,146,953</b>	1,308,199
<b>Current liabilities</b>			
Trade and other payables		345,955	412,468
Lease liabilities		3,223	3,274
		<b>349,178</b>	415,742
<b>Net current assets</b>		<b>797,775</b>	892,457
<b>Total assets less current liabilities</b>		<b>3,971,997</b>	4,098,420
<b>Non-current liabilities</b>			
Lease liabilities		1,388	4,908
<b>NET ASSETS</b>		<b>3,970,609</b>	4,093,512
<b>CAPITAL AND RESERVES</b>			
	30		
Share capital		32,733	32,733
Reserves		3,937,876	4,060,779
<b>TOTAL EQUITY</b>		<b>3,970,609</b>	4,093,512

# Notes to the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

## 37 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2020, the directors consider the Immediate Parent and Ultimate Controlling Party of the Group to be Zall Development Investment Company Limited (“Zall Development Investment”), which is incorporated in BVI, and Mr. Yan Zhi respectively. Zall Development Investment does not produce financial statements available for public use.

## 38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

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

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

# Major Properties Information

As at 31 December 2020

## THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR PROPERTIES UNDER DEVELOPMENT

	Project	Location	Expected date of completion	Intended use	Site area (sq.m.)	Gross Floor Area (sq.m.)	Group's interest (%)	Completion percentage
1	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2021	Commercial	302,408	318,366	100%	Undeveloped – 99%
2	No. 1 Enterprise Community (Phase IV)	Te No. 1 Chutian Road, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Dec-2024	Commercial	394,882	618,883	100%	1%
3	Zall Life City – Hupan Haoting Residences (Phase II)	Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei	Dec-2021	Residential	20,081	31,008	100%	92%
4	No.1 Enterprise Community – Changsha (Phase II)	Zhiji Village, Xingangzhen Kaifu District, Changsha, Hunan Province, PRC	Jul-2023	Commercial/ industrial	120,652	163,481	80%	15%
5	Portion of Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Dec-2021	Commercial	46,232	203,291	100%	85%
6	Tianjin E-commerce Mall (Area C)	Xiqing District, Qingwu Xuefu Industrial Park, Tianjin City, PRC	Aug-2021	Commercial	24,505	39,244	100%	99%

## Major Properties Information (continued)

As at 31 December 2020

### THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR COMPLETED PROPERTIES HELD FOR SALE

	Project	Location	Existing use	Gross Floor Area (sq.m.)	Group's interest (%)
1	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Shops	264,446	100%
2	Portion of North Hankou International Trade Center – Automobile Big World	Liudian and Shekou Villages, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Shops	23,332	100%
3	Portion of No. 1 Enterprise Community (Phase I, II & III)	Te No. 1 Chutian Road, Panlongcheng Economics Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Office	28,160	100%
4	Zall Life City – Hupan Haoting Residences	Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Residential	16,839	100%
5	Portion of Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Shops	3,424	100%
6	No. 1 Enterprise Community – Changsha (Phase I)	Zhiji Village, Xingangzhen Kaifu District, Changsha, Hunan Province, PRC	Office	10,128	100%

# Major Properties Information (continued)

As at 31 December 2020

## THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR PROPERTIES HELD FOR INVESTMENT

Project	Location	Stage of completion	Lease Term of land	Approximate gross floor area (sq.m.)	Group's interest (%)	
1	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	1,519,497	100%
2	Portion of North Hankou International Trade Center	Liudian and Shekou Villages, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Under development	Medium	19,163	100%
3	Portion of North Hankou International Trade Center – Automobile Big World	Liudian and Shekou Villages, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	217,338	100%
4	North Hankou Logistics Center	Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	25,550	100%
5	North Hankou Logistics Center	Jiangjunlu street, Dongxihu District, Wuhan, Hubei Province, PRC	Under development	Medium	18,354	100%
6	Portion of No. 1 Building Portion of No. 1 Enterprise Community	Te No. 1 Chutian Road, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	71,835	100%
7	Portion of Commercial Street of No. 1 Enterprise Community	No. 18 Julong Road, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	9,315	100%

# Major Properties Information (continued)

As at 31 December 2020

## THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR PROPERTIES HELD FOR INVESTMENT (Continued)

Project	Location	Stage of completion	Lease Term of land	Approximate gross floor area (sq.m.)	Group's interest (%)	
8	Enterprise Life Center, of No. 1 Enterprise Community	No. 18 Julong Road, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Completed	Medium	39,732	100%
9	Portion of Tianjin E-commerce Mall (Area A & B)	Phase I, International Trade Centre, Tianjin E-commerce City, 32 Chuangxin Road, Xiqing District, Tianjin City, PRC	Under development	Medium	519,458	100%
10	No. 1 Enterprise Community – Changsha (Phase I)	Zhiji Village, Xingangzhen Kaifu District, Changsha, Hunan Province, PRC	Completed	Medium	46,257	80%
11	Portion of Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Completed	Medium	63,051	100%
12	Portion of Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Under development	Medium	25,714	100%
13	Portion of No.3 Warehouse Centre	Liudian and Shekou Village, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan City, Hubei Province, the PRC	Under development	Medium	122,143	100%
14	H land plots	Liudian and Shekou Villages, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan City, Hubei Province, the PRC	Under development	Medium	119,054	100%

# Financial Summary

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
<b>Result</b>					
Revenue	<b>72,769,426</b>	72,898,756	56,116,072	22,249,176	1,213,375
Gross Profit	<b>1,233,731</b>	1,224,911	1,559,600	1,012,255	361,307
Net valuation (loss)/gain on investment properties	<b>(420,879)</b>	2,533,075	3,865,192	3,021,326	1,275,697
(Loss)/profit for the year attributable to:					
Equity shareholders of the Company	<b>(1,260,450)</b>	92,797	1,371,304	2,379,077	2,048,951
Non-controlling interests	<b>(88,788)</b>	(35,278)	(97,397)	(22,595)	7,620
(Loss)/profit for the year	<b>(1,349,238)</b>	57,519	1,273,907	2,356,482	2,056,571
<b>Financial position</b>					
Total assets	<b>62,127,930</b>	61,489,239	53,081,118	47,343,628	29,747,649
Total liabilities	<b>43,793,474</b>	41,866,765	33,472,305	28,682,741	17,608,417
Non-controlling interests	<b>464,327</b>	543,480	829,221	879,677	34,685
Total equity attributable to equity shareholders of the Company	<b>17,870,129</b>	19,078,994	18,779,592	17,781,210	12,104,547
Total Equity	<b>18,334,456</b>	19,622,474	19,608,813	18,660,887	12,139,232