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)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the "**Board**") of directors (the "**Directors**") of Zall Smart Commerce Group Ltd. (the "**Company**" or "**Zall Smart**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2022, together with the unaudited comparative figures for the preceding period as follows:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*for the six months ended 30 June 2022 — unaudited*
*(Expressed in Renminbi)*

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2022** | 2021 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Revenue** | *3(a)* | **49,930,636** | 50,160,278 |
| Cost of sales | | **(49,640,259)** | (49,553,670) |
| **Gross profit** | | **290,377** | 606,608 |
| Other net income | *4* | **101,614** | 18,707 |
| Selling and distribution expenses | | **(88,472)** | (95,562) |
| Administrative and other expenses | | **(248,071)** | (289,779) |
| Impairment gain/(loss) on trade and other receivables | | **130,481** | (16,466) |
| **Gain from operations before changes in fair value of investment properties** | | **185,929** | 223,508 |
| Net valuation (loss)/gain on investment properties | *8* | **(14,872)** | 2,441 |

| | Note | Six months ended 30 June 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **Profit from operations** | | **171,057** | 225,949 |
| Finance income | *5(a)* | **168,632** | 135,804 |
| Finance costs | *5(a)* | **(295,183)** | (332,689) |
| Share of net profits of associates | | **5,252** | 25,331 |
| Share of net losses of joint ventures | | **(358)** | (690) |
| **Profit before taxation** | *5* | **49,400** | 53,705 |
| Income tax | *6* | **(18,398)** | (21,303) |
| **Profit for the period** | | **31,002** | 32,402 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **78** | 30,865 |
| Non-controlling interests | | **30,924** | 1,537 |
| **Profit for the period** | | **31,002** | 32,402 |
| **Earnings per share (RMB cents)** | | | |
| Basic | *7(a)* | **0.00** | 0.26 |
| Diluted | *7(b)* | **0.00** | 0.26 |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*for the six months ended 30 June 2022 — unaudited*
*(Expressed in Renminbi)*

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Profit for the period** | **31,002** | 32,402 |
| **Other comprehensive income for the period (after tax and reclassification adjustments):** | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Share of other comprehensive income of an associate | **15** | 917 |
| Exchange differences on translation of: | | |
| — financial statements of operations outside Mainland China | **40,591** | (6,673) |
| Other comprehensive income/(loss) for the period | **40,606** | (5,756) |
| **Total comprehensive income for the period** | **71,608** | 26,646 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **40,923** | 25,214 |
| Non-controlling interests | **30,685** | 1,432 |
| **Total comprehensive income for the period** | **71,608** | 26,646 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*at 30 June 2022 — unaudited*
*(Expressed in Renminbi)*

| | Note | **At 30 June 2022** *RMB'000* | At 31 December 2021 *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | *8* | **24,962,401** | 24,180,965 |
| Property, plant and equipment | *9* | **276,743** | 278,895 |
| Intangible assets | | **439,894** | 467,625 |
| Goodwill | | **518,581** | 518,581 |
| Interests in associates | | **194,874** | 192,578 |
| Interests in joint ventures | | **19,693** | 20,065 |
| Contract assets | | **30,418** | 30,060 |
| Deferred tax assets | | **384,395** | 405,409 |
| | | **26,826,999** | 26,094,178 |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | | **817,184** | 1,453,417 |
| Inventories | | **4,010,722** | 3,803,923 |
| Prepaid taxes | | **39,418** | 28,730 |
| Trade and other receivables | *10* | **13,111,081** | 11,563,191 |
| Amounts due from related parties | | **588,666** | 507,263 |
| Pledged bank deposits | | **10,821,338** | 9,045,655 |
| Cash and cash equivalents | | **1,309,371** | 1,095,766 |
| | | **30,697,780** | 27,497,945 |
| Assets held for sale | | **5,653,395** | 5,682,878 |
| | | **36,351,175** | 33,180,823 |

| | Note | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Financial liabilities at fair value through profit or loss | | **196,636** | 95,149 |
| Trade and other payables | *11* | **15,014,525** | 13,637,380 |
| Contract liabilities | | **5,370,776** | 3,475,656 |
| Lease liabilities | | **9,499** | 14,307 |
| Amounts due to related parties | | **281,264** | 178,354 |
| Interest-bearing borrowings | *12* | **13,605,211** | 13,320,148 |
| Current taxation | | **499,421** | 501,574 |
| | | **34,977,332** | 31,222,568 |
| Liabilities associated with assets held for sale | | **2,642,903** | 2,404,767 |
| | | **37,620,235** | 33,627,335 |
| **Net current liabilities** | | **(1,269,060)** | (446,512) |
| **Total assets less current liabilities** | | **25,557,939** | 25,647,666 |
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | *12* | **3,909,273** | 4,389,227 |
| Deferred income | | **6,860** | 8,309 |
| Lease liabilities | | **5,298** | 6,224 |
| Deferred tax liabilities | | **4,531,477** | 4,464,565 |
| | | **8,452,908** | 8,868,325 |
| **NET ASSETS** | | **17,105,031** | 16,779,341 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *13* | **34,406** | 32,733 |
| Reserves | | **16,710,487** | 16,421,990 |
| **Total equity attributable to equity shareholders of the Company** | | **16,744,893** | 16,454,723 |
| **Non-controlling interests** | | **360,138** | 324,618 |
| **TOTAL EQUITY** | | **17,105,031** | 16,779,341 |

# NOTES

*(Expressed in Renminbi unless otherwise indicated)*

## 1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue on 31 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Zall Smart Commerce Group Ltd. (the "**Company**") and its subsidiaries (together referred to as the "**Group**") since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2021 are available from the Company's registered office. In the auditor's report dated 29 April 2022, the auditors expressed an unqualified opinion on those financial statements but drew attention to conditions which indicated existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

As at 30 June 2022, the Group had net current liabilities of approximately RMB1,269,060,000 (31 December 2021: RMB446,512,000). The Group is dependent upon the financial support from the Group's bankers and financial institutions and its ability to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments, which may indicate the existence of a material uncertainty on the Group's ability to continue as a going concern.

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

— the Group is working on generating positive operating cash flows by implementing various strategies to improve the Group's income from 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 actively and regularly reviews its capital structure and has raised approximately HK$300 million by issuing shares during the period. The Group will consider raising additional capital by issuing bonds or new shares, where appropriate;

— the Group may continue to dispose of non-core business and assets to raise additional capital.

In addition, as disclosed in note 12, bank loans and loans from other financial institutions of RMB5,116,941,000 were guaranteed and/or secured by certain investment properties, investment properties under development, properties under development for sale, completed properties held for sale and other assets of the Group at 30 June 2022 (31 December 2021: RMB6,006,676,000). The Group considered it has sufficient collateral to support the roll-over or refinancing of such banking facilities when they fall due. In making this assessment, the Group has considered, among other things, the nature, the value and the volatility of value of its overall property portfolio, including those properties that are currently not pledged.

If the above measures are successful, the Directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period. Consequently, the interim financial report for the six months ended 30 June 2022 has been prepared on a going concern basis. The financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern.

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

## 2 CHANGES IN ACCOUNTING POLICIES

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

## 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 the People's Republic of China (the "**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 services lines is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Revenue from contracts with customers within the scope of IFRS 15** | | |
| Disaggregated by major products or service lines | | |
| — Revenue from sales of properties and related services | **36,602** | 169,152 |
| — Revenue from supply chain management and trading business | **49,716,755** | 49,527,936 |
| — Revenue from construction contracts | **358** | 4,462 |
| — Others | **4,158** | 26,179 |
| | **49,757,873** | 49,727,729 |
| **Revenue from other sources** | | |
| Gross rentals from investment properties | | |
| — Lease payments that are fixed | **129,409** | 345,162 |
| Financing income | **43,341** | 47,090 |
| Others | **13** | 40,297 |
| | **49,930,636** | 50,160,278 |

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

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

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

As at 30 June 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB236,803,000 (31 December 2021: RMB242,900,000). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development and construction contracts entered into by the customers with the Group. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers. The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the properties under development for sale, when the properties are accepted by the customer or deemed as accepted according to the contract (whichever is earlier), which is expected to occur over the next 1 to 24 months (31 December 2021: next 1 to 24 months).

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

**(b) Segment reporting**

The Group manages its businesses by divisions, which are organised by business lines (product and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Property development and related services: this segment develops, sells and operates large-scale consumer product-focused wholesale shopping malls and provide related value-added business, such as warehousing and logistics.

— Supply chain management and trading: this segment operates trading of agricultural products, chemical materials, plastic raw materials, consumer goods, black and non-ferrous metals, etc., and also provides trading related supply chain finance services.

*(i) Segment results, assets and liabilities*

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

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

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

The measure used for reporting segment profit is the profit before finance income, finance costs, income tax, and are further adjusted for items not specifically attributed to individual segments, such as share of profits or losses of 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.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2022 and 2021 is set out below.

| | **Property development and related services** | | **Supply chain management and trading** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| **For the six months ended 30 June** | | | | | | |
| **Disaggregated by timing of revenue recognition** | | | | | | |
| Point in time | **427** | 137,816 | **49,725,076** | 49,444,590 | **49,725,503** | 49,582,406 |
| Overtime | **165,942** | 421,257 | **35,020** | 130,436 | **200,962** | 551,693 |
| Revenue from external customers and reportable segment revenue | **166,369** | 559,073 | **49,760,096** | 49,575,026 | **49,926,465** | 50,134,099 |
| Reportable segment profit | **91,895** | 222,095 | **27,241** | 652 | **119,136** | 222,747 |
| Net valuation (loss)/gain on investment properties | **(14,872)** | 2,441 | **–** | – | **(14,872)** | 2,441 |
| Finance income | **1,015** | 2,304 | **167,615** | 133,476 | **168,630** | 135,780 |
| Finance costs | **(84,355)** | (149,013) | **(207,847)** | (176,799) | **(292,202)** | (325,812) |
| Depreciation and amortisation | **(18,168)** | (8,665) | **(22,653)** | (43,228) | **(40,821)** | (51,893) |
| Share of net gain/(loss) of associates | **–** | – | **5,252** | (688) | **5,252** | (688) |
| Share of net losses of joint ventures | **–** | – | **(358)** | (690) | **(358)** | (690) |
| Additions to non-current segment assets | **140** | 1,195 | **10,476** | 31,749 | **10,616** | 32,944 |
| **As at 30 June/31 December** | | | | | | |
| Reportable segment assets | **36,109,022** | 28,287,320 | **15,676,423** | 23,832,711 | **51,785,445** | 52,120,031 |
| Reportable segment liabilities | **20,073,814** | 7,178,223 | **21,681,798** | 26,600,968 | **41,755,612** | 33,779,191 |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Revenue** | | |
| Reportable segment revenue | **49,926,465** | 50,134,099 |
| Other revenue | **4,171** | 26,179 |
| Consolidated revenue *(note 3(a))* | **49,930,636** | 50,160,278 |
| **Profit** | | |
| Reportable segment profit derived from the Group's external customers | **119,136** | 222,747 |
| Other net income | **101,614** | 18,707 |
| Net valuation (loss)/gain on investment properties | **(14,872)** | 2,441 |
| Finance income | **168,630** | 135,804 |
| Finance costs | **(292,202)** | (332,689) |
| Share of net profits of associates | **5,252** | 25,331 |
| Share of net losses of joint ventures | **(358)** | (690) |
| Unallocated head office and corporate expenses | **(37,800)** | (17,946) |
| Consolidated profit before taxation | **49,400** | 53,705 |

*(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 | |
|---|---|---|---|---|
| | **Six months ended 30 June 2022** | Six months ended 30 June 2021 | **30 June 2022** | 31 December 2021 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| PRC | **44,654,286** | 49,676,565 | **26,437,516** | 25,681,822 |
| Singapore | **5,273,143** | 291,854 | **5,088** | 6,947 |
| Others | **3,207** | 191,859 | **–** | – |
| | **49,930,636** | 50,160,278 | **26,442,604** | 25,688,769 |

The geographical analysis above includes property rental income from external customers in Mainland China for the six months ended 30 June 2022 of RMB129,409,000 (six months ended 30 June 2021: RMB385,459,000).

## 4 OTHER NET INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Net fair value changes on financial instruments at fair value through profit or loss | | |
| — listed equity securities | **8,294** | (28,113) |
| — wealth management products and trust products | **28,630** | 11,184 |
| — forward contracts | **29,300** | – |
| — contingent consideration | **4,000** | (50,857) |
| Government subsidies | **15,339** | 10,517 |
| Net gain on the dilution of interests in associates | **–** | 9,009 |
| Net gain on disposal of a subsidiary | **–** | 3,449 |
| Net gain on disposal of an associate | **300** | 19,484 |
| Others | **15,751** | 44,034 |
| | **101,614** | 18,707 |

## 5 PROFIT BEFORE TAXATION

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

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

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Finance income** | | |
| Interest income | **(168,632)** | (135,804) |
| **Finance costs** | | |
| Interest on interest-bearing borrowings | **449,035** | 489,857 |
| Interest on lease liabilities | **432** | 717 |
| Other borrowing costs | **4,726** | 15,292 |
| *Less:* Amounts capitalised into properties under development and investment properties under development | **(176,959)** | (200,415) |
| | **277,234** | 305,451 |
| Bank charge and others | **33,486** | 25,684 |
| Net foreign exchange loss/(gain) | **(15,537)** | 1,554 |
| | **295,183** | 332,689 |

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |

**(b) Staff costs**

| | | |
|---|---|---|
| Salaries, wages and other benefits | **144,757** | 146,028 |
| Contributions to defined contribution retirement plans | **12,635** | 15,029 |
| Equity-settled share-based payment expenses | **–** | 315 |
| | **157,392** | 161,372 |

**(c) Other items**

| | | |
|---|---|---|
| Amortisation | **25,197** | 28,419 |
| Depreciation | | |
| — owned property, plant and equipment | **19,548** | 17,729 |
| — right-of-use assets | **7,330** | 8,071 |
| Research and development costs (other than amortisation) | **586** | 14,346 |
| Impairment losses | | |
| — trade debtors and bill receivables | **(31,678)** | 15,928 |
| — loans and factoring receivables | **(5,736)** | 538 |
| Short-term lease expenses | **1,144** | 7,390 |
| Cost of construction contract | **358** | 4,462 |
| Cost of commodities sold | **49,621,075** | 49,444,721 |
| Cost of properties sold | **4,064** | 84,311 |

## 6 INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Current tax** | | |
| PRC Corporate Income Tax ("**PRC CIT**") | **16,887** | 38,324 |
| PRC Land Appreciation Tax ("**PRC LAT**") | **1,075** | 5,866 |
| | **17,962** | 44,190 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **436** | (22,887) |
| | **18,398** | 21,303 |

(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 six months ended 30 June 2022 and 2021.

(iii) Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy and e-commerce industry in Guangxi Province, one subsidiary of the Group, GSMN Logistics Co., Ltd., is subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2022, and two subsidiaries of the Group, Guangxi Sugar Market Network Co., Ltd. and Guangxi Bave Block Trading Market Co., Ltd. are subject to PRC CIT at a preferential tax rate of 9% for the six months ended 30 June 2022. Pursuant to the rules and regulations applicable to advanced technology enterprises of the PRC, three subsidiaries of the Group, Zallgo Information Technology (Wuhan) Co., Ltd., Shenzhen AP88.com Agriculture Information Technology Limited and Zallsoon Information Technology (Wuhan) Co., Ltd. are subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2022. The application of preferential tax rate will be reviewed by the tax authority annually.

All the other PRC subsidiaries of the Group are subject to income tax at 25% for the six months ended 30 June 2022 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.

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

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

## 7 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB78,000 (six months ended 30 June 2021: RMB30,865,000) and the weighted average of 11,989,665,000 ordinary shares (adjusted for ordinary shares issued for Management Share Award Scheme) in issue during the six months ended 30 June 2022 (six months ended 30 June 2021: 11,777,510,000).

### (b) Diluted earnings per share

There were no dilutive potential ordinary shares issued for the six months ended 30 June 2022 and 2021, and therefore, diluted earnings per share are the same as the basic earnings per share for the six months ended 30 June 2022 and 2021.

## 8 INVESTMENT PROPERTIES

The Group's investment properties carried at fair value were revalued as at 30 June 2022 by Jones Lang Lasalle Corporate Appraisal and Advisory Limited, an independent firm of surveyors, using the same valuation techniques as were used by this valuer when arranging out the December 2021 valuations.

As a result of the update, a net fair value loss of RMB14,872,000 (six months ended 30 June 2021: net gain of RMB2,441,000), and deferred tax thereon of RMB3,718,000 (six months ended 30 June 2021: RMB610,000), has been recognised in profit or loss in respect of investment properties.

As at 30 June 2022, the Group's investment properties and investment properties under development with an aggregated carrying value of RMB13,180,369,000 (31 December 2021: RMB14,523,041,000) were pledged as collateral for the Group's interest-bearing borrowings (note 12).

## 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group entered into several lease agreements for use of office premises and warehouses, and therefore recognised the additions to right-of-use assets of RMB544,000.

There were no rent concessions received during the six months ended 30 June 2022 and 2021. The amount of fixed lease payments for the interim reporting period is summarised below:

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

| | Six months ended 30 June 2021 | | |
|---|---|---|---|
| | Fixed payments | COVID-19 rent concessions | Total payments |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Office premises and warehouses | 13,664 | – | 13,664 |

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with aggregate costs of RMB10,616,000 (six months ended 30 June 2021: RMB9,225,000).

Items of property, plant and equipment with net book value of RMB2,305,000 were disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB54,000), resulting in a loss on disposal of RMB5,000 (six months ended 30 June 2021: RMB11,000).

As at 30 June 2022, the ownership certificates for certain buildings with net book value of RMB72,258,000 have not been obtained (31 December 2021: RMB72,988,000).

As at 30 June 2022, the Group's buildings with carrying value of RMB9,843,000 (31 December 2021: RMB44,895,000) were pledged as collateral for the Group's interest-bearing borrowings (note 12).

## 10 TRADE AND OTHER RECEIVABLES

| | **30 June 2022** *RMB'000* | 31 December 2021 *RMB'000* |
|---|---|---|
| Trade debtors and bills receivables, net of loss allowance | **6,245,811** | 6,199,658 |
| Loans and factoring receivables, net of loss allowance | **579,144** | 729,697 |
| | **6,824,955** | 6,929,355 |
| Advances to suppliers | **2,589,356** | 3,514,976 |
| Other receivables, deposits and prepayments | **3,696,770** | 1,118,860 |
| | **13,111,081** | 11,563,191 |

As at 30 June 2022, trade debtors of RMBnil (31 December 2021: RMB24,739,000) and other receivables of RMBnil (31 December 2021: RMB8,000,000) were pledged as collateral for the Group's interest-bearing borrowings (note 12).

### (a) Ageing analysis of trade debtors and bill receivables

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

| | **30 June 2022** *RMB'000* | 31 December 2021 *RMB'000* |
|---|---|---|
| Within 6 months | **2,389,700** | 6,006,326 |
| 6 to 12 months | **2,925,661** | 80,337 |
| Over 12 months | **930,450** | 112,995 |
| | **6,245,811** | 6,199,658 |

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

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

| | **30 June 2022** *RMB'000* | 31 December 2021 *RMB'000* |
|---|---|---|
| Secured loans receivable, net of loss allowance (i) | **456,916** | 623,430 |
| Factoring receivables, net of loss allowance | **122,228** | 106,267 |
| | **579,144** | 729,697 |

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

*Ageing analysis*

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

| | **30 June 2022** | 31 December 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 6 months | **428,806** | 573,587 |
| 6 to 12 months | **30,550** | 156,110 |
| Over 12 months | **119,788** | – |
| | **579,144** | 729,697 |

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

## 11 TRADE AND OTHER PAYABLES

| | **30 June 2022** | 31 December 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade and bills payables (i) | **10,319,070** | 9,579,082 |
| Receipts in advance (ii) | **56,896** | 61,696 |
| Other payables and accruals | **4,638,559** | 3,996,602 |
| | **15,014,525** | 13,637,380 |

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

| | **30 June 2022** | 31 December 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 6 months | **3,608,356** | 3,326,592 |
| Over 6 months but within 12 months | **5,860,613** | 5,190,285 |
| Over 12 months | **850,101** | 1,062,205 |
| | **10,319,070** | 9,579,082 |

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

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

| | **30 June 2022** *RMB'000* | 31 December 2021 *RMB'000* |
|---|---|---|
| Pledged bank deposits | **10,167,622** | 8,841,955 |
| Wealth management products and trust products | **153,387** | 1,171,189 |
| | **10,321,009** | 10,013,144 |

## 12 INTEREST-BEARING BORROWINGS

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

| | *Note* | **30 June 2022** *RMB'000* | 31 December 2021 *RMB'000* |
|---|---|---|---|
| **Current** | | | |
| Bank loans and loans from other financial institutions | *12(a)* | **5,181,566** | 4,995,616 |
| Other loans | *12(b)* | **1,444,333** | 696,349 |
| Loans from an entity controlled by Ultimate Controlling Party | *12(c)* | **20,000** | 20,000 |
| Discounted bank acceptance bills | *12(d)* | **6,959,312** | 7,608,183 |
| | | **13,605,211** | 13,320,148 |
| **Non-current** | | | |
| Bank loans and loans from other financial institutions | *12(a)* | **1,545,566** | 2,070,636 |
| Other loans | *12(b)* | **2,363,707** | 2,318,591 |
| | | **3,909,273** | 4,389,227 |
| | | **17,514,484** | 17,709,375 |

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

At 30 June 2022, the bank loans and loans from other financial institutions were repayable as follows:

| | **30 June 2022** *RMB'000* | 31 December 2021 *RMB'000* |
|---|---|---|
| Within 1 year or on demand | **5,181,566** | 4,995,616 |
| After 1 year but within 2 years | **674,999** | 791,913 |
| After 2 years but within 5 years | **720,567** | 1,069,223 |
| After 5 years | **150,000** | 209,500 |
| | **1,545,566** | 2,070,636 |
| | **6,727,132** | 7,066,252 |

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

| | **30 June 2022** *RMB'000* | 31 December 2021 *RMB'000* |
|---|---|---|
| Secured/guaranteed | **5,116,941** | 6,006,676 |
| Unsecured | **1,610,191** | 1,059,576 |
| | **6,727,132** | 7,066,252 |

(ii) At 30 June 2022, certain bank loans and loans from other financial institutions of RMBnil (31 December 2021: RMB174,000,000), RMBnil (31 December 2021: RMB10,000,000) and RMB993,820,000 (31 December 2021: RMB1,101,768,000) were guaranteed by a third party, related parties and the Group's subsidiaries, respectively. Certain bank loans and loans from other financial institutions of RMB4,123,121,000 (31 December 2021: RMB4,720,908,000) were secured by the following assets of the Group:

| | *Note* | **30 June 2022** *RMB'000* | 31 December 2021 *RMB'000* |
|---|---|---|---|
| Pledged bank deposits | | **–** | 153,000 |
| Trade receivables | *10* | **–** | 24,739 |
| Other receivables | *10* | **–** | 8,000 |
| Investment properties | *8* | **13,180,369** | 13,881,336 |
| Investment properties under development | *8* | **–** | 641,705 |
| Properties under development | | **686,629** | 233,695 |
| Completed properties held for sale | | **–** | 250,830 |
| Property, plant and equipment | *9* | **9,843** | 44,895 |
| | | **13,876,841** | 15,238,200 |

(iii) Bank loans and loans from other financial institutions bear interest ranging from 3.82% to 9.5% per annum as at 30 June 2022 (31 December 2021: 3.82% to 6.50% per annum).

(iv) Certain banking facilities and borrowings of the Group are subject to the fulfilment of covenants relating to: (1) certain of the Group's subsidiaries' statement of financial position ratio; (2) restriction of profit distribution by certain of its subsidiaries; or (3) restriction of providing financial guarantees. These requirements are commonly found in lending arrangements with banks and financial institutions. If the Group was to breach such covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants and communicates with its lenders.

As at 30 June 2022, bank loans and loans from other financial institutions of the Group of RMB3,258,890,000 (31 December 2021: RMB3,289,769,000) were not in compliance with the imposed covenants, of which RMB839,949,000 (31 December 2021: RMB817,254,000) 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 30 June 2022, other loans were repayable as follows:

| | **30 June 2022** | 31 December 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within one year or on demand | **1,444,333** | 696,349 |
| After 1 year but within 2 years | **1,995,181** | – |
| After 2 years but within 5 years | **368,526** | 2,318,591 |
| | **3,808,040** | 3,014,940 |

(i) As at 30 June 2022, other loans were secured as follows:

| | **30 June 2022** | 31 December 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Secured | **–** | – |
| Unsecured | **3,808,040** | 3,014,940 |
| | **3,808,040** | 3,014,940 |

(ii) Other loans bear interest ranging from 4.00% to 12.00% per annum as at 30 June 2022 (31 December 2021: 4.00% to 12.00%).

**(c)** Loans from an entity controlled by the ultimate controlling party of the Company ("**Ultimate Controlling Party**") are unsecured and bear interest of 5.00% per annum as at 30 June 2022.

**(d)** The Group has discounted bank acceptance bills of RMB6,959,312,000 as at 30 June 2022 (31 December 2021: RMB7,608,183,000). The Group still retains virtually all its risks and rewards, including the risk of default on discounted bank acceptance bills. Therefore, the Group continued to fully recognised the discounted instruments.

## 13 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

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

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2022 and 2021.

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

No final dividend in respect of the previous financial year was approved or paid during the six months ended 30 June 2022 and 2021.

### (b) Capital management

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

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

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

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

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

| | **30 June 2022** | 31 December 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current liabilities: | | |
| Interest-bearing borrowings | **13,605,211** | 13,320,148 |
| Lease liabilities | **9,499** | 14,307 |
| Non-current liabilities: | | |
| Interest-bearing borrowings | **3,909,273** | 4,389,227 |
| Lease liabilities | **5,298** | 6,224 |
| Total debt | **17,529,281** | 17,729,906 |
| *Less:* Pledged bank deposits | **(10,821,338)** | (9,045,655) |
| Cash and cash equivalents | **(1,309,371)** | (1,095,766) |
| Adjusted net debt | **5,398,572** | 7,588,485 |
| Total equity attributable to equity shareholders of the Company | **16,744,893** | 16,454,723 |
| Adjusted net debt-to-capital ratio | **32.24%** | 46.12% |

## 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 North Hankou International Trade Centre ("**North Hankou**") has now formed 30 large niche market clusters covering hotel supplies, branded clothing, second-hand vehicles, small merchandise, bedding, footwear and leatherware, hardware and electrical products, labour protection supplies, non-staple food, etc. In the first half of 2022, North Hankou recorded a total transaction amount of approximately RMB26.7 billion, and attracted a number of renowned brands to settle in, including BYD, a new energy vehicle brand, Gaussian Robotics, a cleaning robot brand, Jingtian Yishang, a Han style clothing enterprise, Joeone, and Burger King, etc.

During the reporting period, North Hankou continued to promote the business models of "online and offline integration" and "integration of wholesale and experiential consumption". The Group's subsidiary, Zallgo Information Technology (Wuhan) Co., Ltd. (卓爾購信息科技(武漢)有限公司) ("**Zallgo**"), as the operator of North Hankou Live Broadcast Base, provides a series of services, including professional training, host incubation, live broadcast agency services, warehousing and logistics, and supply chain matchmaking, to build a new business ecosystem based on "e-commerce live broadcast+" and drive the transformation and upgrading of merchants. As Douyin's Wuhan e-commerce live broadcast base and Kuaishou's high-quality service providers landed in North Hankou, more than 200 shared live broadcast rooms and 60 flagship live broadcast rooms have been built in North Hankou Live Broadcast Base, together with a 10,000 square metres live broadcast e-commerce product selection hall. In January 2022, North Hankou held an online & offline New Year shopping festival by uniting 30 large niche market clusters that cover a full range of categories including snacks, cosmetics, footwear and hats, clothing, daily necessities, non-staple food and fresh food, etc., and invited famous hosts to promote products through live broadcast, which enabled more value-for-money New Year products to reach the whole country. In April, the Hubei section of the 4th "Brand and Quality Online Shopping Festival cum Quality African Products Online Shopping Festival" unveiled in North Hankou Live Broadcast Base, where great African products and quality products in Hubei Province were marketed through live broadcast platforms such as Douyin and Kuaishou. During the "618 Shopping Festival", the gross merchandise volume ("**GMV**") of merchants served by Douyin's Wuhan e-commerce live broadcast base exceeded RMB330 million, with nearly 30 stores recording a month-on-month growth of over 100% in GMV. In addition, "North Hankou Summer Stationery Expo 2022" was organised by North Hankou on 28th June, which had in place 600 standard booths to attract merchants from Hubei and surrounding provinces and cities.

Meanwhile, North Hankou promoted the integration of wholesale and experiential consumption by building Hankow Town, Universal Town, and North Hankou Carnival Theme Park into a three-in-one commercial block integrating culture, commerce and tourism. In May 2022, Universal Town and North Hankou Carnival Theme Park were officially opened, and the planned Flower Town and Country Park are expected to be completed and opened by the end of the year. Universal Town has five merchandise pavilions, namely Premium Imports Supermarket (綜保優品進口超市), European Pavilion (歐洲館), ASEAN Pavilion (東盟館), SCO Pavilion (上合館), and Xingdachang Outlet (興大倉折扣倉庫), and seven marketplaces, namely Blake Market (布萊克集市), Sahara Market (撒哈拉集市), Moomin Market (姆明集市), Arbat Gallery (阿爾巴特畫廊), Saint Antu Market (聖安圖集市), Outdoor Sports Market (戶外運動集市), and Home Furnishing Market (家居集市). The newly settled International Toy City has introduced over a thousand of children's toys of well-known domestic and foreign brands. North Hankou Carnival Theme Park covers an area of 10,000 square metres and is equipped with dozens of mechanical amusement facilities and unpowered entertainment facilities.

**Supply chain management and trading**

The Group has established and has been operating a B2B trading platform matrix for agricultural products, chemical plastics, steel, and energy, etc. so far.

Shenzhen Sinoagri E-commerce Co., Ltd. ("**Shenzhen Sinoagri**") is a large B2B platform for agricultural products of the Group. Despite the complex and uncertain external environment, the recurring outbreaks of the COVID-19 pandemic, the lack of momentum of world economic recovery, and the high and volatile commodities prices, Shenzhen Sinoagri, while adhering to the customer-centric approach, continues to promote digital transformation, update and optimise trading platforms and systems such as Mutian Mall, and carry out mechanisation transformation in warehousing and logistics which greatly improved the loading and unloading efficiency. During the reporting period, Shenzhen Sinoagri recorded an operating revenue of approximately RMB21.689 billion and a net profit of approximately RMB32.6 million.

Shenzhen Sinoagri continued to deepen the industry chain. During the reporting period, its sugar and feed segments developed robustly. In terms of the sugar segment, in the first half of 2022, domestic sugar prices were fluctuating upward, mainly due to the sugar output cut in China which propped up the sugar prices. Against this backdrop, Shenzhen Sinoagri has maintained its leading position in the white sugar market. It continuously improved the functions of Mutian Mall such as its online contracting process, online payment and self-service delivery service to enhance customers' online purchase experience, strengthened online marketing by launching a variety of daily and holiday promotions, and penetrated further into second and third tier cities to promote the integration of warehousing and distribution and to expand sales channels. During the reporting period, Mutian Mall recorded a year-on-year growth of approximately 183.7% in terms of trading volume of white sugar and added 807 new registered users, 649 of which were converted into paying customers, representing a conversion rate of approximately 80%. In terms of the feed segment, "Pig Feast" campaign was launched for moderate-scale farm customers, which further penetrated the upstream and downstream markets of the industry chain, and 207 new customers were acquired (including 88 upstream feed producers and 119 downstream farmers). Meanwhile, Shenzhen Sinoagri was actively engaged in feed processing and trade of feed raw materials. The construction works of the three feed production and processing projects in Beihai, Kunming and Lanzhou were progressing steadily that the number of feed raw materials retail customers increased by 118, the monthly average sales volume increased from 9,000 tonnes to 14,000 tonnes, and the proportion of sales contributed by feed producers increased from 60% to 80%.

In addition, the silk spinning, coffee and pepper businesses of Shenzhen Sinoagri also grew at a faster pace. During the reporting period, as to silk spinning business, Shenzhen Sinoagri successfully developed services across the industry chain covering cocoon purchase, silk reeling processing, raw silk procurement and sales, greige cloth procurement and production, greige cloth sales, fabric design, printing and dyeing, and fabric sales, launched the "Zhongnonghui — Silutong" (中農薈–絲路通) spot market and Marketing Mall (幫銷商城), optimised the online payment function, and completed transactions for a total of 110 customers, including 43 raw silk customers (with a repeat purchase rate of approximately 70%), 51 silk and satin customers (with a repeat purchase rate of approximately 82%) and 16 industrial finance customers. As to coffee business, Shenzhen Sinoagri increased the purchases of Yunnan raw coffee beans and imported raw coffee beans, and obtained customers through self-owned brand building, new product development and e-commerce live broadcast, etc. Specifically, it added 1,132 new customers, representing a year-on-year increase of approximately 76%, and its operating revenue and net profit increased by approximately 17.01% and 337.17%, respectively, ranking among the top five in the industry. As to pepper business, Shenzhen Sinoagri overcame the adverse effects of global supply chain changes and the COVID-19 pandemic, gradually resumed the procurement of Indian dry pepper in the overseas market, and sped up the development of downstream sales channels and customer acquisition in the domestic market. Thanks to these efforts, it added 24 new customers and recorded sales volume of 3,160 tonnes, which was up by approximately 19.21% on a year-on-year basis.

As a chemical and plastic e-commerce operator that leads the future, HSH International Inc. ("**HSH**"), a subsidiary of the Group, integrates information, commodities, logistics, finance and other resources under the "platform-based supply chain service" model to form a supply chain service system for upstream and downstream enterprises and service providers in the chemical and plastic industries. In the first half of 2022, a COVID-19 outbreak hit Shanghai, resulting in two months of city-wide lockdown that required citizens to work from home. In this context, HSH timely addressed the purchase and sales needs of downstream processing enterprises by applying digital technologies, including using flexible and practical mobile terminals (apps, applets, etc.), and accessed the resources of upstream players with a self-developed SaaS system to expand logistics channels, thus achieving efficient operation and maintaining a steady growth in performance. In addition, HSH continued to expand chemical categories and added products such as styrene and pure benzene to further enhance its profit margin. As of 30 June 2022, the HSH platform had gained a total of 62,290 customers, and it recorded an operating revenue of approximately RMB10.6 billion, representing a year-on-year increase of 31%. In respect of supply chain finance, HSH further consolidated its pipeline business, leveraged the value of data to increase supply chain financial support for small and micro enterprises, and launched a number of supply chain finance products based on different types and needs of customers. As of now, it has helped micro, small and medium-sized enterprises to obtain more than RMB1.06 billion of bank loans, winning great recognition in the industry.

In the ferrous commodities sector, Shanghai Zall Steel E-commerce Co., Ltd. (上海卓鋼鏈電子商務有限公司) ("**Zall Steel**"), a subsidiary of the Group, applied blockchain, big data and other technologies to build an integrated service platform with smart trading as its mainstay and supply chain services and technology services as its two arms, including six service sub-platforms covering "smart trading, supply chain services, SaaS cloud services, warehouse IoT, smart logistics and data information", and promoted the transformation of the steel industry with "technology and business" drivers to optimise the industry layout, so as to realise the intelligent upgrade of the steel industry chain and advance the online business operations of the industry. In the first half of 2022, as COVID-19 broke out again in Shanghai and other places across the country, Zall Steel took the lead in adopting the model of "ensuring supply online and offline". For offline support, it united 28 service hubs across the country and mobilised an in-house professional team to be on standby for 7x24 support. For online support, it helped upstream and downstream enterprises maintain normal operations and management through "software and supply chain services", and cooperated with financial institutions to constantly diversify and optimise the "multi-bank, multi-product" supply chain service supermarket, which enabled online rendering of supply chain financial services to better solve financial problems for enterprises under the COVID-19 pandemic. The lightweight customised SaaS system of Zall Steel covers all business scenarios in the steel trade market, and realises seamless management of all procedures including sales, customers, projects, production, inventory, procurement, human resources, finance, office, etc. In the meantime, Zall Steel further optimised its multi-dimensional and integrated smart warehousing and logistics system, enhanced capabilities in warehousing and distribution operations, and provided intelligent, visible and efficient online services for all players in the industry chain. By making electronic warehouse receipts and adopting paperless delivery, it avoided close contact between people for epidemic prevention and control, and reduced the use of paper materials to facilitate the green development of the industry. The campaign of "ensuring supply online and offline" initiated by Zall Steel attracted much attention from and was widely reported by China Steel Construction Society, China National Association of Metal Material Trade, and mainstream media including China Daily, Huanqiu.com, Jiemian News, 10000link.com, etc. In the first half of 2022, Zall Steel won a number of honours including the title of "Top 50 Modern Service Companies in Jiading District, Shanghai in 2021" and the "2021 Innovative Pioneer Enterprise Award".

In respect of the global commodities online trading sector, the Group's Commodities Intelligence Centre ("**CIC**") secures its footprints in Singapore and focuses on customers in Southeast Asia with the use of blockchain technology as the foundation, which provides one-stop solutions to reduce international trade risks and improve commodities circulation efficiency. The dual-carbon economy (with carbon peaking and neutrality) is the new strategic focus of CIC this year. In January 2022, CIC launched "eCOAL", an electronic product integrating carbon rights, operation, algorithm and logistics. By integrating the upstream and downstream information of the supply chain in Indonesia, "eCOAL" enables purchasers to efficiently inquire about coal mine suppliers and their coal specifications and prices, and generates electronic records of all transactions and carbon rights. The detailed and comprehensive information presented in the coal section of CIC can reduce the survey barriers caused by cross-border travel restrictions. With the entry into force of the Regional Comprehensive Economic Partnership Agreement ("**RCEP**") this year, CIC further penetrated into the Southeast Asian market and provided marketing support for digital products, TradePro, DataPro and CorpInfo, through optimising search engine optimisation ("**SEO**") and search engine marketing ("**SEM**") platforms. As of 30 June 2022, the CIC platform had gained 11,800 registered users, with a total GMV of nearly US$17 billion. The main product categories traded include coal, concentrate mixture, iron concentrate, electrolytic copper and polyethylene plastic.

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

## FUTURE PROSPECTS

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

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

## IMPACT OF THE COVID-19 PANDEMIC

As the global COVID-19 pandemic lingered into 2022, Shanghai and other places in China were hit by COVID-19 outbreaks, which continued to bring uncertainty to the economic development of China and even the world. Through the physical markets represented by North Hankou and commodities trading service platforms, such as Shenzhen Sinoagri, HSH and Zall Steel, the Group continued to promote the business model of online and offline integration, while the segments of supply chain management and trading businesses continued to intensify the application of digital technologies to promote digital trade. The Group developed a "multi-bank, multi-product" matrix of supply chain services in collaboration with financial institutions to meet the capital needs of small and medium-sized enterprises in multiple scenarios and multiple capacities, and fully promoted online delivery of supply chain services to enable corporate users to access one-stop supply chain financial services by logging into an online platform, thereby better solving their financial issues and providing strong support for the normal operations of enterprises under the COVID-19 pandemic. Meanwhile, a digital smart supply chain system was applied to avoid COVID-19 lockdown and control areas when distributing products from warehouses, and dispatch goods from multiple sources to overcome supply and transportation difficulties. In addition, the Group took the initiative to reduce purchase agency fees for some trade companies, so as to provide low-cost and high-quality purchase agency services for these customers.

## INVESTMENT PORTFOLIO

The portfolio of listed equity investments of the Group as at 30 June 2022 and 31 December 2021 were as follows:

### As at 30 June 2022

| Stock code | Name of investee company | Number of shares held | Effective shareholding interest | Acquisition cost | Carrying amount as at 30 June 2022 | Unrealised holding gain arising on revaluation for the six months ended 30 June 2022 | Realised holding loss arising on disposal for the six months ended 30 June 2022 | Dividend received for the six months ended 30 June 2022 |
|---|---|---|---|---|---|---|---|---|
| | | | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 00607.HKEX | Fullshare Holdings Limited ("**Fullshare**") | 590,962,500 | 2.61% | 620,157 | 58,119 | 5,453 | – | – |

As at 31 December 2021

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

As at 30 June 2022, the Group held approximately 590,962,500 (31 December 2021: 590,962,500) shares in Fullshare, representing approximately 2.6% of its entire issued share capital (31 December 2021: 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 recognized an unrealised holding gain of approximately RMB5.5 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: an unrealised holding loss of approximately RMB28.1 million). The carrying amount of investment in Fullshare accounts for approximately 0.09% of the Group's total assets as at 30 June 2022 (31 December 2021: 0.09%). The Group would like to emphasize that the unrealised holding gain is non-cash in nature and relates to the change in fair value of the Group's investment in Fullshare that are volatile in nature. The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

## RESULTS OF OPERATION

### Operating revenue

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| **Revenue from contracts with customers within the scope of IFRS 15** | | |
| Disaggregated by major products or service lines | | |
| — Revenue from sales of properties and related services | **36,602** | 169,152 |
| — Revenue from supply chain management and trading business | **49,716,755** | 49,527,936 |
| — Revenue from construction contracts | **358** | 4,462 |
| — Others | **4,158** | 26,179 |
| | **49,757,873** | 49,727,729 |
| **Revenue from other sources** | | |
| Gross rentals from investment properties | | |
| — Lease payments that are fixed | **129,409** | 345,162 |
| Financing income | **43,341** | 47,090 |
| Others | **13** | 40,297 |
| | **49,930,636** | 50,160,278 |

Revenue of the Group decreased slightly by approximately 0.5% from approximately RMB50,160.3 million for the six months ended 30 June 2021 to approximately RMB49,930.6 million for the six months ended 30 June 2022. The decrease was primarily due to the offsetting effect of (i) the increase in revenue from supply chain management and trading business; and (ii) the decrease in revenue from sales of properties and related services and gross rentals from investment properties.

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

The Group's revenue from supply chain management and trading business has contributed approximately 99.6% of the Group's total revenue for the six months ended 30 June 2022, which remained stable compared to the same period of last year.

**Rental income from investment properties**

The Group's rental income decreased from approximately RMB345.2 million for the six months ended 30 June 2021 to approximately RMB129.4 million for the six months ended 30 June 2022, primarily due to termination of lease agreement with Wuhan Dequn Business Management Co. Ltd. during the period.

**Revenue from financing income**

The Group's financing income decreased by approximately 8.0% from approximately RMB47.1 million for the six months ended 30 June 2021 to approximately RMB43.3 million for the six months ended 30 June 2022. The decrease was mainly due to the decrease in the scale of supply chain finance business of Shenzhen Sinoagri compared with the same period of last year.

**Revenue from construction contracts**

The Group's revenue from construction contract to build certain properties on behalf of a third party decreased by approximately 92.0% from approximately RMB4.5 million for the six months ended 30 June 2021 to approximately RMB0.4 million for the six months ended 30 June 2022. The revenue was recognised according to the actual cost incurred for the six months ended 30 June 2022. The decrease was primarily due to the decrease of the cost incurred for property development projects for the six months ended 30 June 2022.

**Revenue from sales of properties and related services**

Revenue from the sale of properties and related services decreased by approximately 78.4% from approximately RMB169.2 million for the six months ended 30 June 2021 to approximately RMB36.6 million for the six months ended 30 June 2022.

The Group's revenue from sales of properties was generated from the sales of industrial plants units, auxiliary facilities units, office and retails units and residential apartments. The decrease in revenue from sales of properties was mainly due to the decrease in gross floor area delivered during the six months ended 30 June 2022.

**Cost of sales**

Cost of sales of the Group increased by approximately 0.2% from approximately RMB49,553.7 million for the six months ended 30 June 2021 to approximately RMB49,640.3 million for the six months ended 30 June 2022.

**Gross profit**

Gross profit of the Group decreased by approximately 52.1% from approximately RMB606.6 million for the six months ended 30 June 2021 to approximately RMB290.4 million for the six months ended 30 June 2022. The Group's gross profit margin decreased from approximately 1.2% in the first half of 2021 to approximately 0.6% in the first half of 2022. It was mainly due to the net effect of (i) revenue from sales of the properties and related services and gross rentals from investment properties with a higher gross margin decreased compared with corresponding period last year; and (ii) revenue from supply chain management and trading business with a lower gross margin remained stable compared with corresponding period last year.

**Other net income**

Other net income of the Group increased by approximately 443.2% from approximately RMB18.7 million for the six months ended 30 June 2021 to approximately RMB101.6 million for the six months ended 30 June 2022. The change was mainly attributable to (i) the net gain in the fair value change on contingent consideration recognized upon the acquisition of Shenzhen Sinoagri at fair value through profit or loss of approximately RMB4.0 million for the six months ended 30 June 2022, as compared to the net loss of approximately RMB50.9 million for the six months ended 30 June 2021; (ii) the net gain in fair value change on listed equity securities of approximately RMB8.3 million for the six months ended 30 June 2022, as compared to the net loss of approximately RMB28.1 million for the same period of last year; and (iii) the increase in net gain in fair value change on forward contracts from RMBnil for the six months ended 30 June 2021 to approximately RMB29.3 million for the six months ended 30 June 2022.

**Selling and distribution expenses**

Selling and distribution expenses of the Group decreased by approximately 7.4% from RMB95.6 million for the six months ended 30 June 2021 to approximately RMB88.5 million for the six months ended 30 June 2022. The decrease was primarily due to (i) the decrease in staff costs of approximately RMB6.5 million; (ii) the decrease in advertising and promotion expenses of approximately RMB5.7 million; and (iii) increase in amortisation and depreciation expenses of approximately RMB3.0 million.

**Administrative and other expenses**

Administrative and other expenses of the Group decreased by approximately 14.4% from approximately RMB289.8 million for the six months ended 30 June 2021 to approximately RMB248.1 million for the six months ended 30 June 2022. The decrease was mainly due to (i) the decrease in other taxes of approximately RMB36.6 million; and (ii) the decrease in other short-term expenses of approximately RMB7.1 million.

**Net valuation gain on investment properties**

The Group holds a portion of properties which were developed for rental income and/or capital appreciation purposes. The Group's investment properties are revaluated at the end of the respective review period by an independent property valuer. The net valuation loss on investment properties was approximately RMB14.9 million for the six months ended 30 June 2022, as compared to the net valuation gain of approximately RMB2.4 million for the six months ended 30 June 2021. The main reason was the net off effect of valuation gain for additional properties transferred to investment properties for rental purposes and valuation loss for existing investment properties for the six months ended 30 June 2022. The return of investment properties remains stable and the Group will closely monitor the performance of its investment and adjust its investment plan when necessary.

**Finance income and costs**

Finance income of the Group increased by approximately 24.2% from approximately RMB135.8 million for the six months ended 30 June 2021 to approximately RMB168.6 million for the six months ended 30 June 2022.

Finance cost of the Group decreased by approximately 11.3% from approximately RMB332.7 million for the six months ended 30 June 2021 to approximately RMB295.2 million for the six months ended 30 June 2022. The decrease was mainly due to the decrease in overall interest rate during the period.

**Share of net profits of associates**

Share of net profits of associates decreased by approximately 79.3% from approximately RMB25.3 million for the six months ended 30 June 2021 to approximately RMB5.3 million for the six months ended 30 June 2022. The decrease was mainly attributed to the disposal of a material associate, namely, LightInTheBox Holding Co., Ltd. (蘭亭集勢) during the second half of 2021.

**Share of net losses of joint ventures**

Share of net losses of joint ventures of the Group decreased by approximately 48.1% from approximately RMB0.7 million for the six months ended 30 June 2021 to approximately RMB0.4 million for the six months ended 30 June 2022.

**Income tax**

Income tax decreased by approximately 13.6% from approximately RMB21.3 million for the six months ended 30 June 2021 to approximately RMB18.4 million for the six months ended 30 June 2022. The decrease was mainly due to the net effect of (i) the decrease in PRC Corporate Income Tax as less revenue from sales of properties and related services and gross rentals from investment properties for the six months ended 30 June 2022; and (ii) the change in deferred tax mainly due to reversal of impairment loss on trade and other receivables.

**Profit for the period**

For the six months ended 30 June 2022, the Group recorded a net profit of approximately RMB31.0 million, representing a decrease of approximately 4.3% over the amount of approximately RMB32.4 million for the six months ended 30 June 2021.

**Liquidity and capital resources**

As at 30 June 2022, the Group had net current liabilities of approximately RMB1,269.1 million (31 December 2021: approximately RMB446.5 million) and net assets of approximately RMB17,105.0 million (31 December 2021: approximately RMB16,779.3 million). Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position, for instance, by implementing various strategies to improve the Group's income from sales of properties, supply chain management and trading business and rentals from investment properties to generate additional operating cash inflows and putting extra efforts on the collection of trade debtors to improve the debtor turnover days, consider raising additional capital by issuing bonds or new shares and disposing of non-core businesses and assets, where appropriate. As at 30 June 2022, the Group's equity attributable to equity shareholders of the Company amounted to approximately RMB16,744.9 million (31 December 2021: approximately RMB16,454.7 million), comprising issued capital of approximately RMB34.4 million (31 December 2021: approximately RMB32.7 million) and reserves of approximately RMB16,710.5 million (31 December 2021: approximately RMB16,422.0 million).

**Cash position and treasury policies**

The Group's cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC. As at 30 June 2022, the Group's cash and cash equivalents amounted to approximately RMB1,309.4 million (31 December 2021: approximately RMB1,095.8 million). The Group regularly and closely monitors its funding and treasury position to meet the funding requirements of the Group by taking into consideration of the changes in economic conditions, future capital requirements and projected strategic investment opportunities.

**Interest-bearing borrowings**

The Group's total interest-bearing borrowings decreased by approximately 1.1% from approximately RMB17,709.4 million as at 31 December 2021 to approximately RMB17,514.5 million as at 30 June 2022. Majority of the interest-bearing borrowings were denominated in RMB, being the functional currency of the Group. Details of the interest rates and the maturity profile of borrowings during the six months ended 30 June 2022 are set out in note 12 of this announcement.

**Net gearing ratio**

The Group's net gearing ratio decreased from approximately 46.12% as at 31 December 2021 to approximately 32.24% as at 30 June 2022. The decrease in net gearing ratio was mainly due to the increase in the amount of pledged bank deposits. The net gearing ratio is calculated by dividing interest-bearing borrowings and lease liabilities net of cash and cash equivalents and pledged bank deposits, by total equity attributable to equity shareholders of the Company.

**Foreign exchange risk**

The Group's sales were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Board expects any future exchange rate fluctuation will not have any material effect on the Group's business. As at 30 June 2022, the Group did not use any financial instruments for hedging purpose. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

**Charge on assets**

As at 30 June 2022, the Group had pledged certain of its assets with a total book value of approximately RMB20,836.2 million (31 December 2021: approximately RMB22,846.4 million) and a total book value of approximately RMB10,321.0 million (31 December 2021: approximately RMB10,013.1 million) for the purpose of securing certain of the Group's interest-bearing borrowings and bills payables respectively.

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

The Group had no material acquisition or disposal of subsidiaries, associated companies and/or joint ventures during the six months ended 30 June 2022. The Group will continue to seek opportunities to sell non-core assets and businesses to enhance liquidity and devote investment resources to core businesses.

**Significant investments held**

Particulars of major properties (investment properties) of the Group as at 30 June 2022 are set out in note 8 of this announcement.

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

Save as disclosed above, the Group did not have other significant investments and future plans for the six months ended 30 June 2022.

**Segment reporting**

Details of the segment reporting of the Group for the six months ended 30 June 2022 are set out in note 3 of this announcement.

**Contingent liabilities**

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

As at 30 June 2022, the guarantees in relation to mortgage facilities granted to purchasers of the Group's properties amounted to approximately RMB243.6 million (31 December 2021: approximately RMB309.3 million). As at 30 June 2022, the Group provided a financial guarantee to third parties of approximately RMB170 million as at 30 June 2022 (31 December 2021: approximately RMB170 million).

## CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board has issued a number of amendments to International Financial Reporting Standards that are first effective for the accounting period of six months ended 30 June 2022. For details, please refer to note 2 to the unaudited condensed consolidated interim results of the Company in this announcement.

## EVENT SUBSEQUENT TO END OF REPORTING PERIOD

References are made to the announcement dated 9 June 2022, the circular dated 15 July 2022 (the "**Circular**") and the poll results announcement dated 3 August 2022 of the Company. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

On 9 June 2022, the Board and the Administration Committee have resolved to grant a total of 18,180,000 Awarded Shares to 93 Selected Employees pursuant to the Share Award Scheme adopted on 10 December 2021, among which, 7,200,000 Connected Awarded Shares were granted to 13 Connected Grantees and shall be satisfied by the allotment and issue of new Shares to the Trustee pursuant to the Specific Mandate and in accordance with the terms of the Scheme Rules. An EGM was held on 3 August 2022 and the ordinary resolutions relating to approving the grant of 5,700,000 Connected Awarded Shares to 12 Connected Grantees were duly passed by the Independent Shareholders. A total of 16,680,000 Awarded Shares were issued and allotted to the Trustee on 16 August 2022.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group employed a total of 1,708 full time employees (30 June 2021: 1,849). Remuneration for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2022, the employees benefit expenses were approximately RMB157.4 million (for the six months ended 30 June 2021: approximately RMB161.4 million).

The Group has also adopted a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations. The Share Option Scheme has expired on 20 June 2021. In relation to the Share Option Scheme, 45,667,950 share options were outstanding as at 30 June 2022, no share option was exercised, lapsed or cancelled under the Share Option Scheme. The Company has approved and adopted a new share option scheme (the "**New Share Option Scheme**") on 28 May 2021 to continue the grant of share options to eligible participants as incentives of rewards for their contribution or potential contribution to the Group. As at 30 June 2022, no share option had been granted under the New Share Option Scheme.

## COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its corporate governance code of practices. In the opinion of the Board, the Company had complied with all the code provisions as set out in the CG Code throughout the six months ended 30 June 2022.

In light of the amendments to the CG Code which came into effect on 1 January 2022 and which imposes additional requirements to the corporate governance practices for the financial year commencing 1 January 2022, the Company adopted anti-fraud and anti-corruption policy and whistleblowing policy on 31 August 2022. The Board will continue to review and monitor the corporate governance practices of the Company, to ensure compliance with the latest version of the CG Code and with an aim of maintaining a high standard of corporate governance.

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code for dealing in securities of the Company by the Directors during the six months ended 30 June 2022. The Board confirms that, having made specific enquiries with each of the Directors, all Directors have complied with the required standards of the Model Code during the six months ended 30 June 2022.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## REVIEW OF THE INTERIM RESULTS

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2022. The Audit Committee has reviewed with the management of the Company and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control, risks management and financial reporting matters of the Group.

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

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.zallcn.com. The interim report for the six months ended 30 June 2022 of the Group containing all the information required by the Listing Rules will also be published on the same websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 31 August 2022

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

* *For identification purposes only*