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

2022 ANNUAL REPORT

About
ZALL SMART COMMERCE GROUP LTD.

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

Contents

Corporate **Information**

DIRECTORS

Executive Directors

Mr. Yan Zhi
(Co-Chairman and Co-Chief Executive Officer)
Dr. Gang Yu *(Co-Chairman)*
Mr. Wei Zhe, David *(resigned on 1 January 2023)*
Mr. Qi Zhiping *(Co-Chief Executive Officer)*
Mr. Yu Wei
Mr. Xia Lifeng

Independent Non-Executive Directors

Mr. Cheung Ka Fai
Mr. Wu Ying
Mr. Zhu Zhengfu

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

No. 1 Enterprise Community
1 Chutian Avenue
Panlongcheng Economics and Technology Development Zone
Wuhan, Hubei Province
China 430000

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2101, 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. Cheung Ka Fai
Mr. Qi Zhiping

COMPANY SECRETARY

Ms. Foo Man Yee, Carina

COMPANY WEBSITE

http://www.zallcn.com/

AUTHORIZED REPRESENTATIVES

Ms. Foo Man Yee, Carina
Mr. Qi Zhiping

HONG KONG SHARE REGISTRAR

Union Registrars Limited *(appointed on 1 April 2023)*
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

LEGAL ADVISOR

P. C. Woo & Co.
Sidley Austin

AUDITORS

Baker Tilly Hong Kong Limited
(appointed on 17 October 2022)
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**

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

Chairman's **Statement**

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Zall Smart Commerce Group Ltd. ("the Company" or "Zall Smart Commerce"), I am pleased to present the annual report of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2022.

The year 2022 was a year of uncertainties. Despite the tremendous impact of the COVID-19 pandemic, we were able to work through the difficulties and gather momentum to move forward.

In the midst of every crisis, lies great opportunity. At the end of 2022, with the reopening after the pandemic closure, we embraced new hopes and development opportunities. Enterprises weathering the outbreak have become more eager to undergo digital transformation, providing ample development potential for major industry online platforms. The 13th Wuhan (North Hankou) Commodities Fair hosted by the Hubei Provincial Government and co-hosted and organized by Zall Smart Commerce was the first mega economic and trade event in China after the release of the "Ten New Prevention and Control Measures", garnering global attention and bolstering market consumption confidence. The digital trade value focused by Zall Smart Commerce has become increasingly prominent, and the Company has also shown strong resilience, with a stable and positive development momentum.

ACTIVATING THE INNOVATIVE IMPETUS OF THE DIGITAL ECONOMY AND STRENGTHENING THE CONSTRUCTION OF THE DIGITAL TRADE PLATFORM

Nowadays, with the rapid progress brought about by a new round of technological revolution and industrial change, the global digital economy is flourishing. With data as the key production factor and digital services as the nucleus, digital trade has become the focus of a new round of global competition and a new driving force to promote changes in quality, efficiency, and dynamics of China's economic development.

Dedicated to becoming the world's leading digital trade platform, Zall Smart Commerce has built an intelligent trading ecosystem comprising platforms such as Zallgo, Shenzhen Sinoagri, Zall Steel, HSH, CIC, Haishangxian and other platforms, using big data, artificial intelligence, blockchain, and other next-generation information technologies to provide more than 300,000 physical corporate customers with property, warehousing, logistics, finance, cross-border trade, supply chain management, and other integrated supply chain services, constantly promoting the digitalization transformation of the industry.

Chairman's
Statement (continued)

Mutian Mall, Huizhubao, and other platforms of Shenzhen Sinoagri have cleared all the blockages along the industrial chain, thereby integrating the resources of trading, finance, and logistics services to have procurement, sales, and financing and other needs of customers satisfied online, constantly cutting costs for customers in the agricultural industry chain and improving the scientific nature of decision making and efficiency of commodity circulation. The estimations shows that the farmers under the Huizhubao platform can have on average a saving of RMB10-20 per pig in feed cost, and can make an additional profit of RMB20-30 per marketed pig. There can be an additional profit of approximately RMB30,000 per year for a farm with 1,000 pigs. Mutian Mall has an average annual trading volume of nearly one million tonnes for "fixed-price products", an annual trading volume of approximately 300,000 tonnes for "satellite warehouses" and an annual trading volume of nearly 3.5 million tonnes for "spread betting". Zall Steel's lightweight SAAS service system has been built according to the pain points of the steel industry, offering services and products tailored to customers' needs, helping enterprises to improve their human efficiency and online operation efficiency, and facilitating the digital intelligence upgrading of the steel industry. According to statistics, Zall Steel Technology has successfully served nearly 500 large SOEs (including those directly under the central government) and private enterprises, such as Shangu Group and Yuma International, with a timely project delivery rate of 100%. HSH exploits the value of industry data, and enhances its service capability by updating and iterating the digital and intelligent supply chain system, creating a leading position in the liquid chemical and plastic industry. With more than 65,000 platform users, there are more than 10,000 physical enterprises sourcing raw materials through the platform every year.

Meanwhile, the Company has also been actively promoting the digital transformation of the offline wholesale market. Gaining a foothold in North Hankou International Trade Centre with perfect industrial resources, a diversified e-commerce ecosystem, and extensive live streaming needs, Zallgo has built and operated the North Hankou Live Streaming Base incorporating "business-warehouse-logistics" to construct a digital live streaming industrial park, allowing more physical merchants to enjoy the benefits of live streaming economy and promote the rapid growth of economic benefits.

Seizing the opportunities in the digital economy, the Company has vigorously advocated technological innovation and constantly empowered digital trade. In 2022, the Company obtained 109 licensed patents and 198 software copyrights, with a total of 457 intellectual property rights, and was named as one of the "National Supply Chain Innovation Demonstrative and Applicable Enterprises" by the Ministry of Commerce and a "Hubei Province Digital Economy Pilot Demonstration Project". Gathering the digital power from all platforms, sizing up its digital trade, and improving the quality thereof, the Company was ranked the 132nd among the Fortune China 500.

INNOVATING CONSUMPTION SCENARIOS, STRENGTHENING THE SUPPLY CHAIN, AND FACILITATING THE UPGRADE OF THE NORTH HANKOU INTERNATIONAL TRADE CENTRE

The North Hankou International Trade Centre built and operated by Zall Smart Commerce is the largest trade, commerce, and logistics marketplace in China in terms of size and trading volume. In recent years, to integrate into the "dual-cycle" new development pattern with domestic circulation as the mainstay and domestic and international circulations reinforcing each other and to activate effective market demand with high-quality supply, North Hankou has been cultivating and strengthening the service functions of the industrial supply chain, striving to become an important hub market, innovation pilot area, and industrial carrier for the construction of a national trade, commerce, and logistics hub in Hubei.

Focusing on the integration between online and offline, and advancing the digital transformation of North Hankou, the Group has established the "Digital North Hankou" system, strengthened the platform's data integration and resource allocation capabilities through digital technology, and set up a large live streaming base in North Hankou to create the most concentrated live streaming economic ecology in Wuhan. By facilitating the integration of wholesale procurement with experiential consumption, and innovating consumption scenarios, North Hankou has built featured commercial zones including a fresh-flower zone and multinational zone, creating a new experience and new business form of integration of business with tourism. Meanwhile, to facilitate the integration of commodity markets with the mega-trade fair, North Hankou has held Wuhan (North Hankou) Commodities Fair for 13 consecutive sessions, consistently optimizing and enhancing its open platform.

By consistently promoting the upgrading of professional markets, extending the value chain of the industry, and diversifying key trading categories, North Hankou has also been enhancing its capacity for market agglomeration and radiation with the mode of direct supply from the place of origin. In 2022, Zall International Trade Group collaborated with Yunnan Dounan Flower Industry Group to build the North Hankou fresh flower zone, a supply chain base for fresh-cut flowers in China. With the concept of "flower culture and vacation", North Hankou has planned "four main experience zones along one axis" to become a new commercial complex incorporating wholesale and retail trade of fresh-cut flowers, green plants and seedlings, floral materials, food and beverage, leisure and entertainment, Yunnan specialties, trends, culture, and innovation. The project has reshaped the entire procedure of fresh flower trading through a modern supply chain approach. The full cold chain and transport with water approach it uses can reduce the loss of flowers and consumables, lowering the cost of fresh flowers significantly. Since its opening at the time of the Wuhan (North Hankou) Commodities Fair, it has become a new icon of the integration of Wuhan's trade and commerce with culture and tourism and has injected new impetus for the revitalization of consumption revival. In the future, the Group intends to introduce more high-quality supply chain resources at home and abroad to North Hankou with a direct supply model as its foundation and a small-town model as its feature, and further develop an automobile supply chain, seafood supply chain, flavour supply chain, and apparel supply chain, to make the supply chain connect the production area and the terminal, playing a pivotal role in the regional trade and commerce circulation.

At present, the support for the construction of North Hankou has been included in the 2023 Hubei Provincial Government Work Report and the 2023 Wuhan Municipal Government Work Report, and has been mentioned twice in the provincial report and four times in the municipal report. Huafanglian, a textile and apparel industry supply chain platform that is being built in Wuhan, Hubei officially settled in North Hankou. Zall Smart Commerce will collaborate with several SASAC platforms to create an ecosystem for the textile and apparel industry in Hubei to flourish and share, to effectively extend, complement and strengthen the supply chain of the textile and apparel industry in Hubei, and promote the upgrading of digital and intelligent transformation of the Hubei textile and apparel industry chain. Focusing closely on the construction of Wuhan's market and hub, the Company will continue to enhance and strengthen the North Hankou International Trade Centre, expedite its development into a world shopping park with a global presence, a nation-leading supply chain management center, a digital trade demonstrative area and a national logistics hub for trade and commerce services, and contribute to the construction of a national trade and logistics hub in Hubei and the creation of an international consumption hub in Wuhan, to turn the new era of "goods have their new lives at Hankou" into a reality.

PROMOTING THE INTEGRATED DEVELOPMENT OF DOMESTIC AND FOREIGN TRADE, AND STRIVING TO ENTER THE FAST LANE OF GLOBAL TRADE

The Chinese government has clearly stated that it is necessary to "boost the endogenous vitality and reliability of the mainstay domestic circulation and enhance the quality and standards of the international circulation". Promoting the integrated development of domestic and foreign trade is an important measure to facilitate the implementation of the strategy of expanding domestic demand, optimize the structure of supply and demand, and serve to build a new development pattern. From delegations of Zhejiang Province travelling abroad to grab orders after the epidemic to Pinduoduo, Alibaba, and Bytedance's continuous expansion of overseas e-commerce presence, all signals that a new pattern has been forming for global trade.

While strengthening the distributed development of domestic trading, Zall Smart also continuously consolidates its advantages in international market development, helping more domestic companies to open up foreign sales markets and deliver high-quality goods abroad. By accelerating the innovation and development of new business forms and models of foreign trade, North Hankou has basically formed a new model for the integrated development of new foreign trade business in the form of "market procurement + cross-border e-commerce + comprehensive foreign trade services", and pioneered the "overseas warehouse stocking" model, making North Hankou one of the most active regions in the development of foreign trade in central China. Zall Foreign Trade Service, the Company's one-stop comprehensive foreign trade service platform, has a variety of mainstream trade declaration platforms such as general trade import and export, market procurement trade export, cross-border e-commerce import and export, and comprehensive foreign trade service export. It has realized real-time data docking with GACC and "Single Window" of Hubei province, and set up more than 20 comprehensive foreign trade service centers in the province to help enterprises reduce business costs and accelerate Hubei's high-quality foreign trade development. During the last five years, the import and export volume of North Hankou has maintained an average growth rate of 46%, with a total value of more than 10.7 billion US dollars.

Chairman's
Statement (continued)

In the field of cross-border trade, Commodities Intelligence Centre (CIC), established by the Company in Singapore, actively expands the boundaries of overseas market by continuously providing traders from various countries with services such as commodity trade matching, one-stop logistics, customs clearance, finance and big data. The total number of registered CIC users has exceeded 14,000. Meanwhile, its international trade data searching platform TradeData.Pro (卓貿查2.0) based on big data and blockchain technology gathers the import and export data from more than 50 major trading countries, and provides digital trade data analysis, insights and other value-added services to over 30 countries all over the world. CIC has helped hundreds of Fortune 500 companies to optimize trade decisions and discover new growth opportunities. The overall revenue of the platform has risen against the trend and exceeded RMB10 billion, sales of data products increased by 155%, and customer exposure increased by 518% during the year.

Despite the complexity and fluidity of the international situation, economic globalisation remains an irreversible trend. Global trade will see new changes driven by digital technology. Against this backdrop, Zall Smart will step up its efforts to accelerate the integration of its domestic and foreign trade platforms and leverage its ecosystem construction and global presence to establish a world-leading digital trade platform. By doing so, Zall Smart seeks to enter the fast lane of global trade and achieve its strategic goal of ranking among the world's top 500 companies as soon as possible.

Yan Zhi
Co-Chairman
Hong Kong, 31 March 2023

Management Discussion **and Analysis**

BUSINESS REVIEW

Consumer product-focused wholesale trading

With 32,000 merchants operating stably, the Group's core project, North Hankou International Trade Centre ("North Hankou"), has now formed 30 large comprehensive clusters of specialized markets covering hotel supplies, branded clothing, second-hand vehicles, small merchandise, bedding, footwear and leatherware, hardware and electrical products, fresh food, non-staple food, etc., as well as featured commercial towns including Hankou Town, Universal Town, Flower Town, Flavour Town and Automobile Town. This year, "accelerate the construction of North Hankou and other e-commerce live streaming clusters" "promote the optimisation and upgrading of North Hankou commodity market" and "organize a successful Wuhan Commodities Fair" were included in the 2022 government working report of Wuhan City. "Wuhan Commodities Fair" was even included in the 2022 government working report of Hubei Province and the report of the 12th National Party Congress of Hubei Province.

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

Management Discussion **and Analysis (continued)**

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

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

North Hankou is also committed to promoting the integrated development of large-scale trade fairs and physical markets by creating an important open platform for the province. The "2022 Global Digital Trade Conference" and "Wuhan (North Hankou) Commodity Fair" were held in North Hankou from 28 December 2022 to 7 January 2023. Organised by the People's Government of Hubei Province, the conference brought together diplomatic envoys and leaders of business associations from more than 30 countries, hundreds of well-known entrepreneurs and business owners from industrial internet, foreign trade and supply chain enterprises, and more than 30,000 buyers and exhibitors to Wuhan for information exchange and trade collaboration. During the conference, nationally renowned supply chains of seafood, flowers and seedlings, grain, oil and non-staple food, imported foodstuffs and other new consumer products settled in North Hankou; the live streaming platform "Zall Select" was successfully launched and it opened its first flagship shop, which delved into the source of the supply chain to select fashionable lifestyle brands for customers; around 200 Guangdong brand apparel enterprises signed contracts to establish or set up marketing practice and showrooms, as well as warehousing and logistics centres in North Hankou; Exhibition Centre of Hubei National Foreign Trade Transformation and Upgrading Base was officially opened at the Hubei Foreign Trade Industry Hall in North Hankou; the Theme Forum of National Digital Trade Conference, the Cross border Industrial Internet Summit cum the 2022 Night of Qianfeng were held; and a succession of 103 specialized sourcing events, including the North Hankou Hotel Supplies Expo, the Stationery Expo, the Curtain Order Fair and the "Shining Star" Live Broadcast Festival, were held.

Management Discussion and Analysis (continued)

Supply chain management and trading

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

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

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

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

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

In respect of the global commodities online trading sector, the Group's Commodities Intelligence Centre Pte. Ltd. ("CIC") has vigorously developed online trading of commodities since its launch in October 2018, providing a blockchain technology-based one-stop solution to reduce international trade risks and improve distribution efficiency. As of December 2022, the CIC platform had 14,233 registered users, with a total GMV of nearly US$18 billion. The main product categories traded include coal, concentrate mixture, nickel ore, copper ore, iron ore and electrolytic copper. To ensure the successful delivery of supply chain financial services, CIC endeavoured to diversify financing channels, continuously enhanced e-finance services and provided effective risk management, offered new solutions for international e-finance services, reduced costs, broadened channels, improved transaction efficiency, and promoted the development of international trade. CIC achieved an operating revenue of approximately RMB10.4 billion for the year ended 31 December 2022. In addition to conducting feasibility study on dual-carbon economy, CIC further penetrated into the Southeast Asian market by providing marketing support for its digital product Trade Datapro through SEO and SEM optimisation of the platform. Since its launch in 2019, such product has received orders from customers all over the world, including Singapore, Indonesia, Japan, Malaysia, Vietnam, Korea, the United States, and Turkey. The click-through rate of the product increased fourfold compared to last year, and its global market share continued to expand.

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

FUTURE PROSPECTS

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

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

INVESTMENT PORTFOLIO

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

As at 31 December 2022

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

As at 31 December 2021

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost 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	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	–

Management Discussion **and Analysis (continued)**

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

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

RESULTS OF OPERATION

Revenue

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

Revenue from supply chain management and trading business

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

Rental income from investment properties

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

Revenue from financing income

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

Sales of properties and related services

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

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

Cost of sales

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

Gross profit

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

Other net income

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

Selling and distribution expenses

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

Administrative and other expenses

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

Management Discussion
and Analysis (continued)

Impairment loss under expected credit loss model, net of reversal

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

Impairment loss on intangible assets and goodwill

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

Net valuation loss on investment properties

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

Net (loss)/gain on disposal of subsidiaries

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

Share of net profits of associates

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

Finance income and costs

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

Management Discussion
and Analysis (continued)

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

Income tax credit

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

Loss for the year

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

Liquidity and capital resources

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

Cash position

The Group's cash and cash equivalents consist primarily of cash on hand and bank balances, which are primarily held in RMB denominated accounts with banks in the PRC. As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately RMB1,341.3 million (31 December 2021: approximately RMB1,095.8 million). The Group's level of cash and cash equivalents has remained stable. The Group regularly and closely monitors its funding and treasury position to meet the funding needs of the Group.

Interest-bearing borrowings

The Group's total interest-bearing borrowings increased by approximately 3.1% from approximately RMB17,709.4 million as at 31 December 2021 to approximately RMB18,261.0 million as at 31 December 2022. Majority of the loans were denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Details of the interest rates during the year ended 31 December 2022 are set out in note 24 of the consolidated financial statements in this report.

Net gearing ratio

The Group's net gearing ratio increased from 46.1% as at 31 December 2021 to 48.6% as at 31 December 2022. The net gearing ratio is calculated by dividing interest-bearing borrowings and lease liabilities, net of cash and cash equivalents and pledged bank deposits, by total equity attributable to equity shareholders of the Company.

Foreign exchange risk

The Group's sales were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Board expects that any future exchange rate fluctuation will not have any material effect on the Group's business. As at 31 December 2022, the Group did not use any financial instruments for hedging purpose. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Charge on assets

As at 31 December 2022, the Group had pledged certain of its assets with a total book value of approximately RMB19,212.2 million (31 December 2021: approximately RMB22,846.4 million) and a total book value of approximately RMB10,589.0 million (31 December 2021: approximately RMB10,013.1 million) for the purpose of securing certain of the Group's interest-bearing borrowings and bills payables respectively.

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

On 30 December 2022, Zall Smart Commerce Group Co., Ltd* (卓爾智聯集團有限公司, "Zall Smart Wuhan"), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Wuhan Huashang Shidai Group Co., Ltd.* (武漢華商時代集團有限公司, "Huashang Shidai"), a company established under the laws of the PRC with limited liability, pursuant to which Zall Smart Wuhan agreed to sell, and Huashang Shidai agreed to purchase, the entire equity interest in Zall Development (Tianjin) Co., Ltd.* (卓爾發展(天津)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, at a consideration of RMB1,001.0 million. For details, please refer to the Company's announcements dated 30 December 2022 and 4 January 2023.

The Group will continue to seek opportunities to sell non-core assets and businesses to enhance liquidity and devote investment resources to core businesses.

Management Discussion **and Analysis (continued)**

Segment reporting

Details of the segment reporting of the Group for the year ended 31 December 2022 are set out in note 3 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 2022, the guarantees in relation to mortgage facilities granted to purchasers of the Group's properties amounted to approximately RMB188.4 million (31 December 2021: approximately RMB309.3 million).

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

ISSUE OF EQUITY SECURITIES

On 28 April 2022, the Company issued and allotted 600,000,000 ordinary shares to Zall Holdings Company Limited pursuant to the subscription agreement dated 18 January 2022 (as amended and supplemented by a side letter dated 11 March 2022) at the subscription price of HK$0.50 per share for an aggregate consideration of HK$300.0 million, with actual net proceeds amounted to approximately HK$299.8 million after deducting related fees and expenses. The net price to the Company for each subscription share is HK$0.05. The nominal value of the said subscription shares is approximately HK$2,000,000, and the closing price per share of the Company as at the date of the subscription agreement is HK$0.44. The reasons for and details of such subscription were set out in the Company's announcements dated 18 January 2022, 11 March 2022, 28 April 2022 and circular dated 18 March 2022. The net proceeds were used in accordance with the intended purposes disclosed in the circular dated 18 March 2022.

The following table sets forth the details of net proceeds utilised by the Group as of 31 December 2022:

		Net proceeds from the subscription HK$'000	Net proceeds utilised up to 31 December 2022 HK$'000	Unutilised net proceeds as at 31 December 2022 HK$'000	Expected timeline for unutilised net proceeds
(i)	Working capital for conducting the Group's commodity trading business	185,000	185,000	–	N/A
(ii)	Working capital for the upgrade of the Group's existing digitalised platform	15,000	15,000	–	N/A
(iii)	General corporate purposes, including but not limited to the payment of staff costs, directors' remuneration, professional advisers' fees and lease expenses	99,800	99,800	–	N/A
		299,800	299,800	–	

CHANGES IN ACCOUNTING POLICIES

For details of change in accounting policies, please refer to note 1(c) to the consolidated financial statements of the Company in this report.

EVENTS AFTER REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICY

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

The Group has adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations. In relation to the Share Option Scheme, 45,667,950 share options were outstanding as at 31 December 2022. The Share Option Scheme has expired on 20 June 2021. The Company has approved and adopted a new share option scheme on 28 May 2021 to continue the grant of share options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. As at 31 December 2022, no share options have been granted under the new share option scheme.

The Group has also adopted a share award scheme (the "Share Award Scheme") to recognise the contributions by any employees (including without limitation any director) of any member of the Group, who the administration committee of the Board (the "Administrative Committee") considers, in their absolute discretion, to have contributed or will contribute to the Group, and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Company entrusted an independent trustee appointed by the Board to hold the shares awarded by the Administration Committee under the Share Award Scheme (the "Awarded Shares") on behalf of the relevant eligible employees approved for participation in the Share Award Scheme (the "Selected Employees") on trust, until such Awarded Shares are vested with the relevant Selected Employees in accordance with the rules of the Share Award Scheme and the trust deed entered into between the Company and the independent trustee. As at 31 December 2022, 16,680,000 Awarded Shares have been granted under the Share Award Scheme.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yan Zhi (閻志), aged 50, 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 also serves as director to a number of subsidiaries of the Group. 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-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 was 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), and resigned in May 2022. Mr. Yan Zhi is the representative of the 14th National People's Congress of Hubei Province. 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. Mr. Yan is also a director of Zall Development Investment Company Limited and Zall Holdings Company Limited, companies which have an interest in the shares of the Company which would fall to be disclosed to the Company under Division 2 and 3 of Part XV of the Securities and Futures Ordinance.

Dr. Gang Yu (于剛), aged 63, was appointed as an executive Director and co-chairman of the Board on 17 August 2015. Dr. Yu also serves as director to a subsidiary of the Group. 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 Chindata Group Holdings Limited, which is listed on Nasdaq Stock Market, since September 2020. Dr. Yu was an independent director of Baozun Inc., which is listed on Nasdaq Stock Market, from April 2018 to August 2020.

Biographical Details of Directors and Senior Management (continued)

Mr. Qi Zhiping (齊志平), aged 50, 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, and serves as director to a number of subsidiaries of the Group. 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 has obtained a master degree in Executive Master of Business Administration from China Europe International Business School in 2021. 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.

Mr. Yu Wei (余偉), aged 40, was appointed as an executive Director on 15 June 2021, is the vice president of the Group, and also serves as director to a number of subsidiaries of the Group. He joined the Group in October 2015 and is primarily responsible for the operation and day-to-day management of Zall International Trade Group Co., Ltd.* (卓爾國際貿易集團有限公司) (the Group's international trade segment), Commodities Intelligence Centre Pte. Ltd. (CIC), and the Group's logistics and storage business. Prior to joining the Group, Mr. Yu was engaged in sectors such as automobile, financing, travelling, internet logistics and international bulk commodities trading for over 10 years, and successfully founded the first generation of local car travelling brand in Wuhan.

Mr. Yu obtained his graduate diploma in business administration from Wuhan Polytechnic University in 2006 and obtained a master degree in Executive Master of Business Administration (EMBA) from China Europe International Business School in 2013.

Mr. Xia Lifeng (夏里峰), aged 40, was appointed as an executive Director on 15 June 2021, is the vice president of the Group and the chief executive officer of Zallgo Information Technology (Wuhan) Co., Ltd.* (卓爾購信息科技(武漢)有限公司) (''Zallgo''), a subsidiary of the Company, and also serves as director to a number of subsidiaries of the Group. He joined the Group in September 2020 and is mainly responsible for the business model innovation, daily operation and management of Zallgo and the technical sector management of the Group. 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. 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. Xia obtained a bachelor's degree in Communication Engineering from Huazhong University of Science and Technology in 2006.

Biographical Details of Directors and Senior Management (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Ka Fai (張家輝), aged 48, 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 25 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. Effective from November 2021, Mr. Cheung has been appointed as the chief financial officer and the joint company secretary of International Genius Company (formerly known as Amber Hill Financial Holdings Limited), a company listed on the Main Board of Stock Exchange. 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 63, 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 12 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 a doctor's degree (honoris causa) from New Jersey Institute of Technology in 2016. Mr. Wu is currently 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 and 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. Mr. Wu served as an independent non-executive Director of JD Health International Inc., which is listed on the Hong Kong Stock Exchange, since April 2022, and an independent director of BEST Inc., which is listed on the New York Stock Exchange, since May 2022. Mr. Wu was 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, from December 2016 to April 2022, and 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, from December 2017 to March 2022.

Biographical Details of Directors and Senior Management (continued)

Mr. Zhu Zhengfu (朱征夫), aged 59, 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 director of Daan Gene Co., Ltd.* (廣州達安基因股份有限公司), which is listed on the Shenzhen Stock Exchange, since May 2022. Mr. Zhu was an independent 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, from April 2014 to May 2022. 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. 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 representative of the 14th National People's Congress of China and the deputy supervisor 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.

SENIOR MANAGEMENT

Mr. Yan Zhi (閻志), Mr. Qi Zhiping (齊志平), Mr. Yu Wei (余偉) and Mr. Xia Lifeng (夏里峰) 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 Guohui (朱國輝), aged 46, 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 20 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. Cao Tianbin (曹天斌), aged 54, is a senior economist, the vice president of the Group and the president of North Hankou Group, and also serves as director to a number of subsidiaries of the Group. He is mainly responsible for offline operation and property management work of the Group. Mr. Cao has approximately six years of experience in the wholesale market and investment management industry and over 20 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.

Biographical Details of Directors and Senior Management (continued)

Mr. Sun Wei (孫煒), aged 45, is a senior economist, the vice president of the Group and the CEO of Shenzhen Sinoagri, a subsidiary of the Group. Mr. Sun also serves as director to a number of subsidiaries of the Group. Mr. Sun joined the Group in June 2017 upon the acquisition of 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 45, 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 also serves as director to a number of subsidiaries 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 over 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 43, is the CEO of HSH, a subsidiary of the Group. Mr. Bai also serves as director to a number of subsidiaries 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, Mr. Bai 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.

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 2022.

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 2022 are provided in the section headed "Chairman's Statement" on pages 4 to 8 and the section headed "Management Discussion and Analysis" on pages 9 to 22 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 38 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2022 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 9 to 22 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 (www.zallcn.com) and the Stock Exchange (www.hkexnews.hk).

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss on page 79.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (corresponding period in 2021: Nil).

Report of the
Directors (continued)

FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2022 and the state of the Company's and the Group's affairs as at that date are set out on pages 79 to 223.

RESERVES

Movements in the reserves of the Group during the year ended 31 December 2022 are set out on pages 83 to 84.

DISTRIBUTABLE RESERVES

As at 31 December 2022, 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 RMB4,243 million (2021: RMB3,885 million).

GROUP FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are summarised on page 228 of this annual report.

SHARE CAPITAL

Changes in share capital of the Company for the year ended 31 December 2022 and as at that date are set out in note 29(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.

Report of the
Directors (continued)

SHARE OPTION SCHEMES

(a) 2011 Share Option Scheme

On 20 June 2011, the 2011 Share Option Scheme was approved and adopted by the then Shareholders for a period of 10 years commencing on the adoption date. The 2011 Share Option Scheme has expired on 20 June 2021. A summary of the principal terms of the 2011 Share Option Scheme is set out as follows.

The following is a summary of the principal terms of the 2011 Share Option Scheme:

1. Purpose of the 2011 Share Option Scheme

The 2011 Share Option Scheme is established to recognize and acknowledge the contributions of the 2011 Eligible Participants had or may have made to the Group. The 2011 Share Option Scheme will provide the 2011 Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the 2011 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 2011 Eligible Participants (as defined below) whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the 2011 Share Option Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively, the "2011 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 2011 Share Option Scheme

The 2011 Share Option Scheme expired on 20 June, 2021. At the beginning and at the end of the year ended 31 December 2022, no outstanding share options was available for grant under the 2011 Share Option Scheme. Notwithstanding its expiration, the share options which have been granted and remained outstanding (i.e. 45,667,950 share options) shall continue to be valid and exercisable subject to and in accordance with the terms on which the share options were granted, the provisions of the 2011 Share Option Scheme and the Listing Rules. As at the date of this report, there are 45,667,950 outstanding share options, representing approximately 0.37% of the issued shares of the Company as at the date of this report.

4. **Maximum entitlement of each participant under the 2011 Share Option Scheme**

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2011 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each 2011 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 2011 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 2011 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 2011 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 2011 Share Option Scheme.

6. **Movement of Share Options during the year under review**

During the year ended 31 December 2022, details of movements in the share options under the 2011 Share Option Scheme (the "Share Option(s)") are as follows:

Category of participant	Date of Grant	Exercise price per share	Vesting date and exercise period	Balance as at 1 January 2022	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31 December 2022	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 2)
Spouse of Mr. Qi Zhiping	22 December 2017	HK$8.48	From the date when the exercise conditions are met to 21 December 2027 (Note 1)	41,101,154	Nil	Nil	Nil	Nil	41,101,154	HK$8.46	N/A (Note 2)
Employees of the Group	22 December 2017	HK$8.48	From the date when the exercise conditions are met to 21 December 2027 (Note 1)	2,283,398	Nil	Nil	Nil	Nil	2,283,398	HK$8.46	N/A (Note 2)
Total				45,667,950	Nil	Nil	Nil	Nil	45,667,950		

Notes:

1. Such Share Options shall be exercisable upon fulfilment of certain financial performance targets set out in the respective letters of the grant. For further details of the financial performance targets, please refer to the paragraph headed "Management Shares and Management Options" in the circular of the Company dated 15 February 2017.

2. No Share Options had been exercised, cancelled or lapsed during the year ended 31 December 2022.

Save as disclosed above, there were no outstanding Share Options at the beginning and/or at the end of the year ended 31 December 2022 and there were no Share Options granted during the financial year ended 31 December 2022.

(b) 2021 Share Option Scheme

In view of expiry of 2011 Share Option Scheme, the 2021 share option scheme was approved and adopted by the Company on 28 May 2021 (the "2021 Share Option Scheme") for the purpose of providing incentives and rewards to the selected Eligible Participants (as defined in paragraph 2 below) for their contribution or potential contribution to the development and the growth of the Group.

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

1. Purpose of the 2021 Share Option Scheme

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

2. Participants of the 2021 Share Option Scheme

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

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisors, consultants, agents, suppliers, customers, distributors who in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

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

The maximum number of shares which may be issued upon exercise of options which may be granted under the 2021 Share Option Scheme and any other share option schemes (if any) shall not in aggregate exceed 10% of the total number of shares in issue as at the adoption date (i.e. 1,178,282,580 shares). At the beginning and at the end of the year ended 31 December 2022, 1,178,282,580 outstanding share options was available for grant under the 2021 Share Option Scheme. As at the date of this report, the number of shares available for issue under the 2021 Share Option Scheme and any other share option schemes (if any) amounted to 1,178,282,580 shares, representing approximately 9.5% of the issued share capital of the Company.

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

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

   (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

   (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting.

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

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

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

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

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

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

8. **The basis of determining the exercise price**

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

   (i) the official closing price of the shares as stated in the Stock Exchange daily quotation sheets on the date of grant of options;

   (ii) the average of the official closing prices of the shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant of options; and

   (iii) the nominal value of a share.

9. The remaining life of the 2021 Share Option Scheme

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

During the year ended 31 December 2022, no share options were granted by the Company in accordance with the terms of the 2021 Share Option Scheme. No share options had been exercised, cancelled or lapsed during the year ended 31 December 2022. There were no outstanding share options under the 2021 Share Option Scheme at the beginning and/or at the end of the year ended 31 December 2022.

SHARE AWARD SCHEME

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

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

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

1. Purpose of the Share Award Scheme

The purposes of the Share Award Scheme are (i) to recognise the contributions by certain Eligible Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

2. Participants of the Share Award Scheme

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

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

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

The maximum number of Shares available for issue under the Share Award Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the adoption date (i.e. 1,178,282,580 Shares). At the beginning and at the end of the year ended 31 December 2022, 1,178,282,580 shares and 1,161,602,580 shares, respectively, was available for grant under the Share Award Scheme. As at the date of this report, the number of Shares available for issue under the Share Award Scheme amounted to 1,161,602,580 shares, representing approximately 9.4% of the issued share capital of the Company.

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

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

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

Not applicable.

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

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

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

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

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

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

9. The remaining life of the Share Award Scheme

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

As at 31 December 2022, 16,680,000 Awarded Shares have been granted under the Share Award Scheme.

Details of the movement of the Awarded Shares during the year ended 31 December 2022 is as follows:

			Number of Awarded Shares					
Category of participant	Date of grant (Notes 2 and 4)	Vesting date	Unvested as at 1 January 2022	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Unvested as at 31 December 2022
Directors								
Dr. Gang Yu	3 Aug 2022	3 Aug 2022	–	270,000	270,000	–	–	–
Mr. Wei Zhe, David (Note 1)	3 Aug 2022	3 Aug 2022	–	270,000	270,000	–	–	–
Mr. Qi Zhiping	3 Aug 2022	3 Aug 2022	–	1,380,000	1,380,000	–	–	–
Mr. Xia Lifeng	3 Aug 2022	3 Aug 2022	–	550,000	550,000	–	–	–
Mr. Yu Wei	3 Aug 2022	3 Aug 2022	–	290,000	290,000	–	–	–
Mr. Cheung Ka Fai	3 Aug 2022	3 Aug 2022	–	180,000	180,000	–	–	–
Mr. Wu Ying	3 Aug 2022	3 Aug 2022	–	180,000	180,000	–	–	–
Mr. Zhu Zhengfu	3 Aug 2022	3 Aug 2022	–	180,000	180,000	–	–	–
Connected Grantees (other than Directors)								
Mr. Sun Wei	3 Aug 2022	3 Aug 2022	–	1,200,000	1,200,000	–	–	–
Mr. Bai Rui	3 Aug 2022	3 Aug 2022	–	600,000	600,000	–	–	–
Mr. Pan Fujie	3 Aug 2022	3 Aug 2022	–	500,000	500,000	–	–	–
Ms. Mo Yuping	3 Aug 2022	3 Aug 2022	–	100,000	100,000	–	–	–
Other employees								
Employees of the Group	3 Aug 2022	3 Aug 2022	–	10,980,000	10,980,000	–	–	–
Total:			–	16,680,000	16,680,000	–	–	–

Notes:

1. Mr. Wei Zhe, David resigned as Director of the Company on 1 January 2023.
2. The Awarded Shares were granted to the Selected Employees for nil consideration.
3. In respect of the performance targets for the Awarded Shares, (a) the Group was required to achieve an increase in revenue in the financial year ended 31 December 2021 ("FY2021") of not less than 25% as compared with the financial year ended 31 December 2020 ("FY2020"); (b) the relevant subsidiary of the Company was required to achieve an increase in revenue in FY2021 of not less than a specified performance target ranging from 10% to 30% as compared with FY2020; and (c) the relevant Selected Employee was required to attain satisfactory performance appraisal results for FY2021. All the performance targets had been fulfilled at the date of grant of the Awarded Shares.
4. The closing price of the Shares immediately before the date of grant of the Awarded Shares was HK$0.47.
5. For the year ended 31 December 2022, 16,680,000 Awarded Shares have been vested under the Share Award Scheme. The weighted average closing price of the Shares immediately before the dates on which the awards were vested in 2022 was HK$0.47 per Share.
6. No Awarded Shares were cancelled or lapsed during the year ended 31 December 2022.
7. The fair value of the Awarded Shares at the grant date amounted to RMB7,061,000. For details of fair value of awards at the date of grant and the accounting standard and policy adopted, please refer to notes 1(v) and 27(c) to the consolidated financial statements of the Company in this report.
8. There was no unvested award granted to Selected Employees under the Share Award Scheme at the beginning and/or at the end of the year ended 31 December 2022.

The total number of shares that may be issued in respect of options and awards granted under all schemes of the Company during the year divided by the weighted average number of shares in issue for the year was 0.14%.

FURTHER UPDATE ON THE PROGRESS OF THE VERY SUBSTANTIAL ACQUISITION

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

As stated in the announcement of the Company dated 3 January 2023, the Parties are in the progress of fulfilling the remaining conditions precedent for the acquisition of the second tranche of the Subsequent Target Equity Interest (being 3% of the total equity interest of the Project Company), in particular, the entering into of a separate share purchase agreement to give effect to the transfer of the second tranche of the Subsequent Target Equity Interest. It is expected that the acquisition of the second tranche of the Subsequent Target Equity Interest would complete on or before 31 December 2023.

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, and if applicable, the financial year 2022.

For the year ended 31 December 2022, the actual revenue and the actual net profit of Shenzhen Sinoagri amounted to approximately RMB43.0 billion and approximately RMB75.4 million respectively, which have not reached the Target Revenue and Target Net Profit for the financial year ended 31 December 2022 of RMB80.566 billion and RMB251 million as stated in the Acquisition Agreement respectively, and therefore no excess can be used to make up for the shortfall of previous years and the Consideration will be adjusted according to the Acquisition Agreement and the Performance Guarantee set out in the Shenzhen Sinoagri Acquisition Circular.

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 17.2% (2021: 16.7%) of the Group's total sales and the sales attributable to the Group's largest customer were approximately 6.4% (2021: 5.0%) 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 16.9% (2021: 11.8%) of the Group's total purchases; and the purchases attributable to the Group's largest supplier were approximately 6.0% (2021: 5.2%) 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 2022 are set out in note 24 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year under review amounted to approximately RMB53,000 (2021: RMB0.8 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.

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 224 to 227.

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 2022 are set out in the section headed "Major Properties Information" on pages 224 to 227 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 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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 *(resigned on 1 January 2023)*
Mr. Qi Zhiping *(Co-Chief Executive Officer)*
Mr. Yu Wei
Mr. Xia Lifeng

Independent Non-Executive Directors:

Mr. Cheung Ka Fai
Mr. Wu Ying
Mr. Zhu Zhengfu

Mr. Wei Zhe, David resigned on 1 January 2023 as an executive Director of the Company due to his intention to devote more time in his other commitments. Mr. Wei 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. Yan Zhi, Mr. Cheung Ka Fai 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 25 May 2023 (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 23 to 27 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.

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.

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.

INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Details of the connected transaction, continuing connected transactions and material related party transactions are disclosed in this report and in note 33 to the consolidated financial statements.

Save as disclosed in this report, no Directors nor an entity connected with any of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisted during or at the end of the year ended 31 December 2022.

Save as disclosed in this report, neither the Company nor any of its subsidiaries had entered into any contract of significance with the controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholders or their subsidiaries, during the year ended 31 December 2022.

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 2022.

EQUITY-LINKED AGREEMENT

Save for the share option schemes adopted by the Company on 20 June 2011 and 28 May 2021 as disclosed in the section headed "Share Option Schemes", and the share award scheme adopted by the Company on 10 December 2022 as disclosed in the section headed "Share Award 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 Schemes" and "Share Award 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 2022, 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:

Interests in shares and underlying shares of the Company

Name of Director	Nature of interest	Number of ordinary shares/ underlying shares held as at 31 December 2022	Approximate percentage of shareholding as at 31 December 2022[3]
Mr. Yan Zhi	Interest of controlled corporations	8,619,250,868 (L) [1]	69.51%
	Beneficial owner	73,833,000 (L)	0.60%
Dr. Gang Yu	Beneficial owner	90,960,840 (L)	0.73%
	Interest of spouse	11,800,000 (L)	0.10%
Mr. Wei Zhe, David (resigned on 1 January 2023)	Beneficial owner	270,000 (L)	0.00%
Mr. Qi Zhiping	Beneficial owner	6,066,351 (L) [2][a]	0.05%
	Interest of spouse	48,664,298 (L) [2][b]	0.39%
Mr. Yu Wei	Beneficial owner	290,000 (L)	0.00%
Mr. Xia Lifeng	Beneficial owner	898,000 (L)	0.01%
Mr. Cheung Ka Fai	Beneficial owner	180,000 (L)	0.00%
Mr. Wu Ying	Beneficial owner	180,000 (L)	0.00%
Mr. Zhu Zhengfu	Beneficial owner	180,000 (L)	0.00%

(L) represents long position.

Notes:

(1) The 7,309,850,268 shares and 1,309,400,600 shares are held by Zall Development Investment Company Limited ("Zall Development Investment") and Zall Holdings Company Limited ("Zall Holdings"), respectively. Both companies are wholly owned by Mr. Yan Zhi.

(2) (a) These interests comprise 3,782,953 shares and 2,283,398 underlying shares in respect of share options granted by the Company pursuant to the 2011 Share Option Scheme, details of which are set out in the section headed "Share Option Schemes".

(b) These interests comprise 7,563,144 shares and 41,101,154 underlying shares in respect of share options granted by the Company to the spouse of Mr. Qi Zhiping pursuant to the 2011 Share Option Scheme, details of which are set out in the section headed "Share Option Schemes". By virtue of the SFO, Mr. Qi Zhiping is deemed to be interested in the shares held by his spouse.

(3) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2022 (12,399,505,800 ordinary shares).

Save as disclosed above, as at 31 December 2022, 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 2022, the following persons (other than a Director or chief executive of the Company) had or deemed or taken to have an interest or short position in the shares or underlying shares of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of ordinary shares/ underlying shares held as at 31 December 2022	Approximate percentage of shareholding as at 31 December 2022[3]
Substantial shareholder			
Zall Development Investment	Beneficial owner	7,309,850,268 (L) [1]	58.95%
Zall Holdings	Beneficial owner	1,309,400,600 (L) [1]	10.56%
Other persons			
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation	685,689,000 (L) [2]	5.53%
Huarong Huaqiao Asset Management Co., Ltd.	Interest of controlled corporation	685,689,000 (L) [2]	5.53%

(L) represents long position.

Notes:

(1) Zall Development Investment and Zall Holdings are companies wholly owned by Mr. Yan Zhi.

(2) The 535,689,000 shares and 150,000,000 shares (685,689,000 shares in total) are held by Dream Heaven Limited and Superb Colour Limited respectively. Both companies are indirectly and wholly owned by Huarong Huaqiao Asset Management Co., Ltd., which in turn is owned as to approximately 91% by China Huarong Asset Management Co., Limited.

(3) The percentages are calculated based on the total number of Shares of the Company in issue as at 31 December 2022 which was 12,399,505,800.

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

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

Save as disclosed above, as at 31 December 2022, 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 2022, the Group's total contributions to the retirement schemes charged in the consolidated statement of profit or loss amounted to approximately RMB19.4 million (2021: approximately RMB20.9 million).

There are not any forfeited contributions that may be used by the Group to reduce the existing level of contributions.

CONNECTED TRANSACTION

(1) On 18 January 2022, the Company and Zall Holdings entered into the Subscription Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Zall Holdings has conditionally agreed to subscribe for, 600,000,000 Subscription Shares in cash under the Specific Mandate at the Subscription Price of HK$0.50 per Subscription Share for an aggregate consideration of HK$300,000,000 (the "Subscription"). The aggregate consideration of the Subscription shall be settled by Zall Holdings in full on the completion date. The Company considers that the Subscription will (i) strengthen the collaboration between the Company and the controlling shareholders; (ii) demonstrate the commitment of the controlling shareholders to the Company and the confidence of the controlling shareholders towards the prospects of the Group; and (iii) strengthen the Group's capital base.

As at 18 January 2022, Zall Holdings was interested in approximately 2.49% of the total issued share capital of the Company. Zall Holdings is wholly owned by Mr. Yan Zhi who in turn holds (i) approximately 0.63% of the total issued share capital of the Company directly; and (ii) 100% shareholding interest in Zall Development which is interested in approximately 56.09% of the total issued share capital of the Company. Mr. Yan Zhi, Zall Holdings and Zall Development are the controlling shareholders of the Company under the Listing Rules. Accordingly, the Subscription Agreement constitutes a connected transaction of the Company under the Listing Rules. All conditions precedent of the Subscription have been fulfilled and completion of the Subscription took place on 28 April 2022. A total of 600,000,000 Subscription Shares have been allotted and issued to Zall Holdings at the Subscription Price of HK$0.50 per Subscription Share pursuant to the terms of the Subscription Agreement. For details, please refer to the announcements of the Company dated 18 January 2022 and 28 April 2022.

(2) 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, of which, (i) 10,980,000 Awarded Shares are granted to 80 Selected Employees who are not connected persons of the Company ("Non-connected Grantees") and shall be satisfied by the allotment and issue of new Shares to the Trustee pursuant to the General Mandate and in accordance with the terms of the Scheme Rules; and (ii) 7,200,000 Awarded Shares are granted to 13 the Selected Employees who are not independent third parties ("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. The Awarded Shares shall be granted to the Grantees for nil consideration. The Directors consider that the grant of the Awarded Shares to the Selected Employees will enable the Company (i) to recognise the contributions made by the Selected Employees in driving the continuous business operation and development of the Group; (ii) to encourage, motivate and retain the Selected Employees; and (iii) to align the interest of the Selected Employees with the long-term performance of the Group and provide additional incentive for the Selected Employees to achieve performance goals.

As the Connected Grantees are Directors and/or directors of subsidiaries of the Company, the Connected Grantees are connected persons of the Company. Hence, the grant of the Awarded Shares to the Connected Grantees constitute connected transactions on the part of the Company under Chapter 14A of the Listing Rules. According to poll results of the EGM held on 3 August 2022, a total of 5,700,000 Awarded Shares are issued and allotted to 12 Connected Grantees on 16 August 2022. For details, please refer to the announcements of the Company dated 9 June 2022 and 3 August 2022.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group conducted the following continuing connected transactions:

(a) 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 Zhongbang Bank Co. Ltd.* (武漢眾邦銀行股份有限公司) ("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. 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 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 2022, the maximum daily balance (including interests accrued thereon) of deposits placed by the Group with Wuhan Z-Bank amounted to approximately RMB131 million (2021: approximately RMB142 million) which is within the daily deposit cap of RMB300 million.

* 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 2022, 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 Baker Tilly Hong Kong Limited, 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 33 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 sections above headed "Connected Transaction" and "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, 22 May 2023 to Thursday, 25 May 2023 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to be qualified to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Friday, 19 May 2023.

SIGNIFICANT SUBSEQUENT EVENTS AFTER THE YEAR

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

AUDIT COMMITTEE

The Group's annual report for the year ended 31 December 2022 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.

AUDITORS

On 11 November 2021, the Board announced that KPMG resigned as auditors of the Company on 11 November 2021 and BDO Limited ("BDO") was appointed as auditors of the Company by the Board to fill in the vacancy. The Board also confirmed that there was no disagreement between KPMG and the Company.

Following the resignation of BDO as auditors of the Company on 17 October 2022, Baker Tilly Hong Kong Limited ("Baker Tilly") was appointed as auditors of the Company by the Directors on 17 October 2022 to fill in the vacancy. The Board also confirmed that there was no disagreement between BDO and the Company.

Save as disclosed above, there were no other changes in auditors of the Company during the past three years.

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by Baker Tilly. Baker Tilly will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Baker Tilly 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 2023

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 2022.

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 Part 2 of 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 2022. During the year ended 31 December 2022, the Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly.

FINANCIAL REPORTING

The Directors acknowledge their responsibilities for preparation and fair presentation of the consolidated financial statements of the Group. The Directors are aware of the Group's net current liabilities of RMB1,442,191,000 as at 31 December 2022 and loss for the year of approximately RMB2,981,191,000 for the year then ended and these conditions along with other matters 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 72 to 78 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.

Corporate
Governance Report (continued)

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.

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 23 to 27 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.

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.

The independent non-executive Directors have made a positive contribution to the development of the Company's strategies and policies through independent, constructive and informed comments. They benefit the Board and the Board Committees by their skills, expertise, varied backgrounds and qualifications through regular attendance and active participants at the meetings of the Board and the Board committees.

In addition, to the regular Board Meetings, the Chairman met with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2022.

During the year ended 31 December 2022, 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.

Mechanisms of independent views

The Company recognises that diversity and independence views available to the Board are critical to good corporate governance and the effectiveness of the Board. The Board has established mechanisms to ensure independent views and input from any Director of the Company are available to the Board for enhancing an objective and effective decision making. The following mechanisms are reviewed by the Board annually to ensure the effectiveness. A summary of the mechanism is set out below:

(i) Composition — Establish and maintain a nomination committee with clear terms of reference to identify suitable candidates for appointment as directors, including independent non-executive directors. The Board is committed to ensuring at least three independent non-executive directors are appointed and at least one-third of the members are independent non-executive directors in accordance with the requirements of the Listing Rules.

(ii) Independence — Each independent non-executive director shall, upon appointment as a director, confirm his/her independence in writing to the Company in accordance with the Company's nomination policy, the Listing Rules and other regulatory requirements. The non-executive director must notify the company as soon as possible if there is any change in his personal information which may affect his independence. The Nomination Committee shall assess the independence of all independent non-executive directors annually that each independent non-executive director maintains the independence standards set out in the Listing Rules, to ensure that they can continually exercise independent judgement for the advice to the Board. A director (including independent non-executive director) who has material interests on the board resolution shall abstain from voting on that resolution.

(iii) Decision-making — Independent non-executive directors shall devote sufficient time to discharge their duties as directors and shall actively participate in board/committee meetings to express their views and opinions in order to provide constructive advice to the management. Independent non-executive directors (and Directors) are entitled to seek further information from the management on the matters to be discussed at Board meetings and, where necessary, independent advice from external professional advisers at the Company's expense.

(iv) Effectiveness — The Nomination Committee shall conduct assessment annually on the composition of the board of directors, and evaluate the composition and contributions of directors, to ensure independent views and input are available to the Board.

Board Meetings

The Board holds at least four meetings a year at approximately quarterly intervals. Additional meetings would be arranged, if and when required. The date of each meeting is decided in advance to enable the Directors to attend the meeting in person. For those Directors who are not able to attend these meetings in person, participation by telephone conference is available.

If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution.

During the year ended 31 December 2022, the Directors have made active contribution to the affairs of the Group and five Board meetings were held to consider, among other things, various transactions contemplated by the Group and to review and approve the interim results and annual results of the Group. The Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his close associates is materially interested.

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 2022, the Audit Committee met three times and it has reviewed the Group's consolidated financial statements for the six months ended 30 June 2022 and for the year ended 31 December 2021. It has also consider the appointment of external auditor and approve their remuneration and terms of engagement of the external auditors. It has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing and financial reporting matters with the management and the external auditor, and has reviewed the Company's internal control systems and discussing the risk management and internal control systems with management to ensure that the management has performed its duty effectively.

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

The audit committee had reviewed the Group's policies and practices on corporate governance and compliance with legal and regulatory requirements including the compliance with the CG Code during the year ended 31 December 2022. The audit committee also reviewed the training and continuous development of directors and senior management.

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. For details of remuneration policy of Directors, please refer to the section headed "Directors' Emoluments and Emolument Policy" set out in the Report of the Directors contained in this report. Details of the Directors' remuneration for the year ended 31 December 2022 are set out in Note 7 to the consolidated financial statements.

During the year, the Remuneration Committee met twice to review the remuneration policy of the Company, including the grant of awarded shares under the Share Award Scheme, 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. The share awards are designed to attract, retain and motivate high performing individuals. The Remuneration Committee considered that grant of share award during the year were determined by reference to the performance of the individual and the Company, and were aligned with the Company's goals and strategies. For further information in relation to the grant of share award during the year, please refer to the section headed "Share Award Scheme" set out in the Report of the Directors contained in this report.

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 2023 AGM of the Company.

Board Diversity Policy and Measurable Objectives

The Company adopted a board diversity policy (the "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 followings 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;

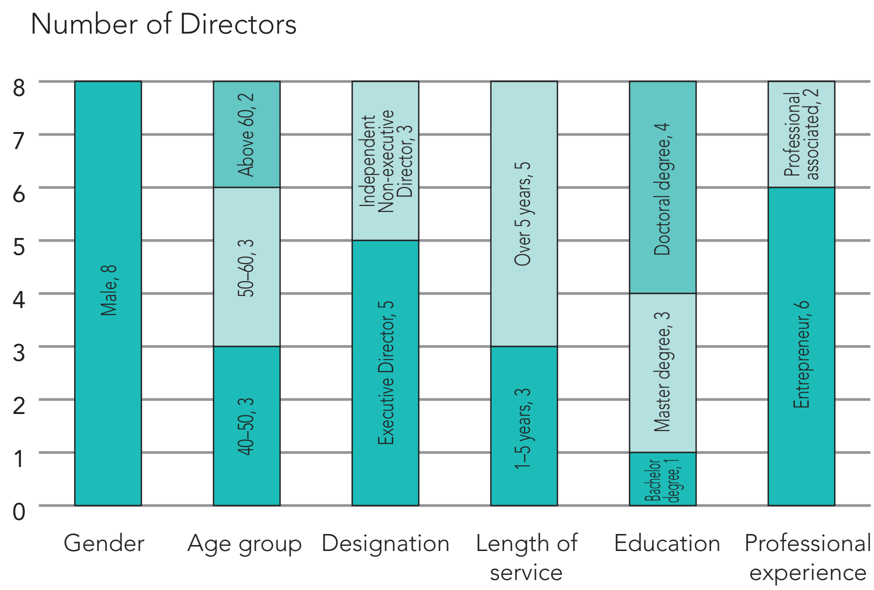
4. commitment in respect of available time and relevant interest of Director; and

5. accomplishment and experience in different industries.

Corporate
Governance Report (continued)

During the year ended 31 December 2022 besides the Board is comprising only with male Directors, most of the measurable objectives have been fulfilled by the Company. The Board considers that its diversity, including gender diversity, is a vital asset to the business. Selection of female candidates to join the Board will be, in part, dependent on the pool of female candidates with the necessary skills, knowledge and experience. The Board will consider internal selection from the Group, or will work with external agencies, to identify and approach suitable candidates that would enhance its composition and diversity, with a view to expanding the competencies, experience and perspectives of the Board as a whole. The Board is committed to improve the gender diversity by having at least one female director as and when suitable candidates are identified on or before the end of 2024.

As at 31 December 2022, an analysis of the Board composition based on the range of diversity perspectives is set out as follows:



The Nomination Committee is of the view that the existing Board was satisfactory and effective in terms of its size, structure, composition, commitment, independence and diversity. Gender diversity should also be taken into account in Board refreshment and succession planning. The Nomination Committee will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation.

Opportunities for employment, training and career development of the Group are equally opened to all eligible employees without discrimination. As at 31 December 2022, the proportion of male and female in the workforce of the Group (including executive Directors and senior management) is approximately 52% to 48%, respectively. The Board considers that the total gender diversity of the Group is balanced, and the Group will continue to promote and maintain the gender diversity and equality in the workforce at all levels of the Group.

Nomination Policy

The Company adopted a nomination policy (the "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 factors to be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate include:

(i) reputation for integrity;

(ii) accomplishment and experience in different industries;

(iii) commitment in respect of available time and relevant interest;

(iv) independence;

(v) diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, qualifications, professional experience, skills, knowledge, independence and length of service;

(vi) for proposed independent non-executive Directors who will be holding their seventh (or more) listed company directorship, whether the individuals would still be able to devote sufficient time to the board (including whether the individuals have extensive experience in corporate governance of listed companies, are familiar with the management of listed companies, have close and good communication with the management and other independent non-executive Directors, can make the management decision of the Company work properly, are a chairman of the board or chief executive officer or full time executive director of other listed companies, the business activity of other listed companies in which the individuals hold directorship, etc.); and

(vii) other factors considered to be relevant by the Nomination Committee on a case by case basis, including the requirements and restrictions as stated in the Listing Rules.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Retiring Directors are eligible for nomination by the Nomination Committee and recommendation by the Board to stand for re-election at a general meeting.

Proposed candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

The Nomination Committee may request candidates to provide additional information and documents, if considered necessary.

Nomination Procedures

- The secretary of the Nomination Committee or the director of the Company shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also identify candidates pursuant to the criteria set out above and put forward candidates who are not nominated by Board members.

- The Nomination Committee may use any process it deems appropriate to evaluate the candidates pursuant to the criteria set out above, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references.

- For filling a casual vacancy and for addition to the existing Board, the Nomination Committee shall make recommendations for the Board's consideration, approval and appointment. Any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation to the Shareholders.

- In case of election at a general meeting, until the issue of the Shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

- In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to Shareholders by the Company. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations (including the Listing Rules), of the proposed candidates will be included in the circular to Shareholders. In addition, where a new Director is appointed or re-designated, the Company will announce the change as soon as practicable and include details of the relevant Director as required pursuant to the Listing Rules.

- The Shareholders may propose a person for election as a Director, details of which are set out in the "Procedures for Shareholders to Propose a Person for Election as a Director" of the Company. A Shareholder can serve a notice at the registered office, head office or the registration office (such place as the Board may from time to time determine to keep a branch register of members and where (except the Board otherwise directs) the transfer or other documents of title are to be lodged for registration and are to be registered) of the Company within the lodgement period of its intention to propose a resolution to elect certain person(s) as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the Shareholder circular. The particulars of the candidates so proposed will be sent to all Shareholders for information by a supplementary circular.

- A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the joint company secretaries of the Company.

- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting. The ultimate responsibility for selection and appointment of Directors rest with the entire Board.

The Nomination Committee may seek any necessary information from employees within its terms of reference and obtain independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

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, Mr. Qi Zhiping. 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 2022. The Risk Management Committee considered the internal audit functions, as well as the risk management and internal control systems of the Group are effective and adequate. For details of the risk management and internal control of the Group, please refer to the section headed "Risk Management and Internal Control".

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
Executive Directors:						
Mr. Yan Zhi (Co-Chairman and Co-Chief Executive Officer)	5/5	N/A	1/1	N/A	N/A	3/3
Dr. Gang Yu (Co-Chairman)	5/5	N/A	N/A	N/A	N/A	3/3
Mr. Qi Zhiping (Co-Chief Executive Officer)	5/5	N/A	N/A	2/2	1/1	3/3
Mr. Wei Zhe, David (resigned on 1 January 2023)	5/5	N/A	N/A	N/A	N/A	3/3
Mr. Yu Wei	5/5	N/A	N/A	N/A	N/A	3/3
Mr. Xia Lifeng	5/5	N/A	N/A	N/A	N/A	3/3
Independent non-executive Directors:						
Mr. Cheung Ka Fai	5/5	3/3	1/1	N/A	1/1	3/3
Mr. Wu Ying	5/5	3/3	1/1	2/2	N/A	3/3
Mr. Zhu Zhengfu	5/5	3/3	N/A	2/2	1/1	3/3

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.

Corporate
Governance Report (continued)

During the year ended 31 December 2022, 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 notifiable transaction. All the Directors, namely Mr. Yan Zhi, Dr. Gang Yu, Mr. Wei Zhe, David (resigned on 1 January 2023), Mr. Qi Zhiping, Mr. Yu Wei, Mr. Xia Lifeng, Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu have received the requisite training.

According to the training records maintained by the Company, the training programmes/materials 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)
Executive Directors:			
Mr. Yan Zhi	7/7	1, 2	A, B
Dr. Gang Yu	7/7	1, 2	A, B
Mr. Wei Zhe, David (resigned on 1 January 2023)	7/7	1, 2	A, B
Mr. Qi Zhiping	7/7	1, 2	A, B
Mr. Yu Wei	7/7	1, 2	A, B
Mr. Xia Lifeng	7/7	1, 2	A, B
Independent Non-Executive Directors:			
Mr. Cheung Ka Fai	7/7	1, 2	A, B
Mr. Wu Ying	7/7	1, 2	A, B
Mr. Zhu Zhengfu	7/7	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 2022. 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.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2022 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 72 to 78 of this annual report.

AUDITORS' REMUNERATION

For the year ended 31 December 2022, the remuneration paid or payable to the Group's auditors, Baker Tilly Hong Kong Limited , is as follows:

Items	Amount (RMB'000)
Audit services	4,200
Non-audit services	–

REMUNERATION OF SENIOR MANAGEMENT

Pursuant to Code Provision E.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	0
RMB1,000,001 to RMB2,000,000	2
RMB2,000,001 to RMB3,000,000	3

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, as well as those relating to the Group's ESG performance and reporting. 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 external 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 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 wavier 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 2022, and considered the risk management and internal control systems of the Group are effective and adequate.

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 2022, the Company identified the following key risks:

1. Business objectives

Zall Smart 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, the establishment of corporate governance structure and risk control system in 2019, the improvement of operational efficiency in 2020, to setting a business objective to become a global digital trade platform in 2021, the Group relies on the two major trading scenarios of commodities and wholesale markets and such online and offline scenarios as Zallgo, Shenzhen Sinoagri, HSH, Zall Steel and North Hankou, so as to provide partners with a wide range of trading and supply chain services. The Group's business positioning in 2021 helps it set clear business objectives and devote more of its resources to these areas. On the other hand, except for the offline consumer goods market, the supply chain businesses operated by the Group are all bulk raw materials such as steel, chemical plastics, building materials and agricultural products and others, which are susceptible to international relations, national policies and industrial fluctuations to some extent. In this regard, the Group needs to pay most of its attention to recruit talents and hedge and control business risks. The Group's major business objectives for 2022 are to achieve the Group's revenue and net profit targets set by the shareholders and the Board of Directors and to place greater emphasis on the quality of consumer goods and block trades and the adjustment of gross profit structure in the business development process. However, the COVID-19 lockdown in Shanghai during the first half of 2022, which had a greater impact on the logistics operations of block trades, and other factors including the international relations dynamics, macroeconomic environment, and regulation and control by industry policies may have an impact on the Group's achievement of its business objectives. In view of this, the Group included business objective risk as one of the key risks faced by the Group in 2022.

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 analysed 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 analyse 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 analysed 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.

2. Talent recruitment and training

In recent years, the strategic development of Zall Smart 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. Business expansion relies on talents with professional skills and industry experience. If we fail to timely recruit from the market outstanding talents with industry experience, or even if we have recruited well-qualified personnel but fail to offer them an attractive salary package and have a training mechanism in place, our employees may not be productive enough, and our business may not be able to develop effectively, resulting in inefficient business development or loss of market opportunities. In 2022, the Group sourced talents mainly through recruitment agencies commonly used in the market, and collaborated with well-known headhunters at home and aboard for key positions; meanwhile, internal referrals were available for some positions where employees were encouraged to internally recommend talents who fit for the corporate culture and employment needs. The Group conducts an annual talent review for employees and provides appropriate training for employees in different positions. However, as talent recruitment and training do take up a certain amount of resources, ordinary turnover of employees will have a certain risk and impact on the Company.

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. During the year, the Group had not experienced any major shortage of staff, but the demand for new business or new projects may result in a shortage of talent, which requires replenishment through internal recruitment and external recruitment. Meanwhile, there was a temporary shortage in the recruitment of core outposted staff of the Group's subsidiaries, which was solved by cooperating with subsidiaries in recruitment. In 2021, the Group formulated a number of training-related management systems and methods to cover up the deficiencies in the original training system. In the future, the Group will continue to adopt the relevant system and keep focusing on the nurturing and recruitment of talents to avoid any shortage of staff.

3. 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. In 2022, the Group focused on its main business and sold non-core businesses and assets, so as to better allocate and arrange resources internally. Reasonable allocation of resources in various industrial sectors of the Group is particularly essential for the balanced and rapid development of the Group. Lack of planning for the resource allocation among business segments may lead to unbalanced resource input, asynchronous capacity growth, and weaknesses in certain segments, which may affect the overall results of each resource and hinder business development. 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.

4. Support from the government and financial sector

Zall Smart 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. In 2021, the Notice on Printing and Distributing the Implementation Plan for Strengthening the Sharing and Application of Credit Information and Promoting the Financing of Medium, Small and Micro Enterprises of the General Office of the State Council (《國務院辦公廳關於印發加強信用信息共享應用促進中小微企業融資實施方案的通知》) put forward the action of "leveraging the cloud and digital transformation to empower a smart ecosystem", in order to promote the data-enabled, coordinated transformation of the whole industry chain. The notice created a good policy environment for the Group's main business and a good opportunity for the Group to vigorously develop its supply chain business. A good policy environment will inevitably lead to fiercer competition. Optimizing the Company's products and increasing its core competitiveness are the directions of future development. In 2022, the government and the central bank successively announced policies that support the development of the private economy. In terms of policy, at the 20th National Congress of CCP, it was proposed that the construction of a modern supply chain system should be accelerated, and efforts should be made to enhance the resilience and safety level of the industrial supply chain, and the term "supply chain" has been repeatedly mentioned, which is favourable for the development of the Group's main business. However, the Group is currently facing challenges because of its own nature, it has yet to master the production resources of the block trade industry it is involved in, and its bargaining power in the industry chain needs to be gradually strengthened through supply chain services and customer service experience. Meanwhile, it is costly for the Company to obtain capital from financial institutions, so it may not be able to be benefited from the policy and financial industry to the greatest extent.

With a full awareness and understanding of the risk, the Group will continue its penetration into industry chain sub-segments in 2022 to get a higher profit margin for its products and increase stickiness for its customer service; it will develop bonded processing projects to provide its customers with total industry chain solutions. The Group will continue to diversify its financing channels and improve the financing environment through equity financing and project cooperation. Meanwhile, the Group will strengthen its cooperation with external financial institutions in the supply chain financial services for upstream and downstream customers to earn supply chain service fees and boost the Group's profit margin.

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 2022.

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 2022, 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. The project has been substantially completed and most of the properties have been sold, with approximately 44,000 square metres remaining. The Group will sell the remaining properties in line with market conditions.

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

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 Business 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 Guohui, the chief financial officer of the Company.

During the year ended 31 December 2022, 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. 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. The Board has reviewed the implementation and effectiveness of the shareholders communication policy for the year ended 31 December 2022. Based on the various available communication channels for shareholders in place and the steps taken to handle shareholders' enquiries, the Board considered that the policy has been properly implemented and effective.

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.

- 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.

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:	investorrelations@zallcn.com

CONSTITUTIONAL DOCUMENTS

The Company has adopted the amended and restated Articles of Association of the Company by special resolution passed on 28 June 2022 and effective on the same date. The amended and restated Articles of Association is available on the websites of the Company and of the Stock Exchange.

Independent
Auditor's Report

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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 (together the "Group") set out on pages 79 to 223, which comprise the consolidated statement of financial position as at 31 December 2022, 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 statement of cash flows 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("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"), 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

We draw attention to note 1(b) to the consolidated financial statements which indicates that the Group had net current liabilities of approximately RMB1,442,191,000 as at 31 December 2022 and loss for the year of approximately RMB2,981,191,000 for the year then ended. These conditions, along with other matters as set forth in note 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. Our opinion is not modified in respect of this matter.

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.

KEY AUDIT MATTERS *(Continued)*

Valuation of investment properties

As disclosed in note 10 to the consolidated financial statements, the Group holds a portfolio of investment properties, including completed investment properties and investment properties under development, all of which are located in the People's Republic of China (the "PRC"), with a carrying value of approximately RMB23,476 million which accounts for 39% of the Group's total assets as at 31 December 2022. These properties comprise logistic units, e-commerce malls, wholesale shopping malls and offices.

The fair values of investment properties as at 31 December 2022 were assessed by the directors based on valuations prepared by an independent 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 29% of the Group's loss before taxation for the year ended 31 December 2022.

We identified the 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 as disclosed in note 2(c) to the consolidated financial statements, 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.

Our responses:

Our procedures in relation to this key audit matter included:

- obtaining and inspecting the valuation reports prepared by the external property valuers engaged by the Group on which the directors' assessment of the fair values of investment properties was based;
- evaluating the external property valuers' competence, capabilities and objectivity;
- with the assistance of our internal valuation specialists, assessing the appropriateness of valuation methodology used and evaluating the reasonableness of the key inputs 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 adequate with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS *(Continued)*

Impairment assessment of goodwill

As of 31 December 2022, 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 approximately RMB251 million.

Management is required to, at least annually, perform impairment assessment of goodwill. The impairment assessment of goodwill is carried out by management based on independent valuations of the respective cash-generating units ("CGUs") prepared by a independent firm of qualified external valuers.

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

We identified impairment assessment of goodwill as a key audit matter because the assessment of potential impairment of goodwill is inherently subjective and requires significant judgement and estimation, which increases the risk of error or potential management bias.

Our responses:

Our procedures in relation to this key audit matter included:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls over the preparation of the discounted cash flow forecasts on which the estimation of the recoverable amount of goodwill is 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' competence, capabilities and objectivity;

KEY AUDIT MATTERS *(Continued)*

Impairment assessment of goodwill *(Continued)*

- 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;

- 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 adequate with reference to the requirements of the prevailing accounting standards.

OTHER MATTER

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

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "Audit Committee") assists the directors in discharging their responsibility in this regards.

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, in accordance with the terms of our engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement director on the audit resulting in the independent auditor's report is Chau Fong, Lily.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 31 March 2023
Chau Fong, Lily
Practising certificate number P08090

Consolidated
Statement of Profit or Loss

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

	Notes	2022 RMB'000	2021 RMB'000
Revenue	3(a)	**110,906,215**	104,551,813
Cost of sales		**(110,318,790)**	(103,666,058)
Gross profit		**587,425**	885,755
Other net income	4	**135,597**	15,224
Selling and distribution expenses		**(209,709)**	(236,369)
Administrative and other expenses		**(520,789)**	(635,550)
Impairment loss under expected credit loss model, net of reversal	5(c)	**(29,136)**	(306,307)
Impairment loss on intangible assets	12	**–**	(61,738)
Impairment loss on goodwill	13	**(267,083)**	(333,994)
Net valuation loss on investment properties	10	**(933,998)**	(240,711)
Net valuation loss on investment properties held for sale	35	**(5,251)**	–
Net (loss)/gain on disposal of subsidiaries	34	**(1,423,797)**	90,583
Loss from operations		**(2,666,741)**	(823,107)
Finance income	5(a)	**353,367**	223,277
Finance costs	5(a)	**(910,001)**	(1,037,033)
Share of net profits of associates	15	**1,513**	30,056
Share of net losses of joint ventures	16	**(835)**	(2,004)
Loss before taxation	5	**(3,222,697)**	(1,608,811)
Income tax credit	6(a)	**241,506**	158,685
Loss for the year		**(2,981,191)**	(1,450,126)
Attributable to:			
Equity shareholders of the Company		**(3,040,264)**	(1,326,854)
Non-controlling interests		**59,073**	(123,272)
Loss for the year		**(2,981,191)**	(1,450,126)
Loss per share (RMB cents)			
Basic	9(a)	**(24.94)**	(11.27)
Diluted	9(a)	**(24.94)**	(11.27)

The notes on pages 87 to 223 form part of these financial statements.

Consolidated Statement of
Profit or Loss and Other Comprehensive Income

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

	Note	2022 RMB'000	2021 RMB'000
Loss for the year		**(2,981,191)**	(1,450,126)
Other comprehensive income/(loss) for the year			
Items that will not be reclassified to profit or loss:			
— Change in fair value of equity instruments at fair value through other comprehensive income, net of tax		**–**	(6,527)
Items that may be reclassified subsequently to profit or loss:			
— Share of other comprehensive loss of an associate	15	**–**	(1,450)
— Reclassification of exchange difference on disposal of foreign operation		**–**	4,350
— Exchange differences arising on translation of financial statements of foreign operations, with nil tax impact		**80,580**	(6,762)
Other comprehensive income/(loss) for the year		**80,580**	(10,389)
Total comprehensive loss for the year		**(2,900,611)**	(1,460,515)
Attributable to:			
Equity shareholders of the Company		**(2,959,684)**	(1,337,243)
Non-controlling interests		**59,073**	(123,272)
Total comprehensive loss for the year		**(2,900,611)**	(1,460,515)

The notes on pages 87 to 223 form part of these financial statements.

Consolidated Statement of
Financial Position

at 31 December 2022 (Expressed in Renminbi)

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Investment properties	10	**23,475,664**	24,180,965
Property, plant and equipment	11	**291,524**	278,895
Intangible assets	12	**444,993**	467,625
Goodwill	13	**251,498**	518,581
Interests in associates	15	**194,457**	192,578
Interests in joint ventures	16	**19,230**	20,065
Contract assets	19(a)	**30,418**	30,060
Deferred tax assets	28(b)	**419,367**	405,409
		25,127,151	26,094,178
Current assets			
Financial assets at fair value through profit or loss	17	**684,792**	1,453,417
Inventories	18	**4,508,221**	3,803,923
Prepaid taxes	28(a)	**38,808**	28,730
Trade and other receivables	20	**17,383,123**	11,563,191
Amounts due from related parties and non-controlling shareholders of subsidiaries	33(d)	**639,920**	507,263
Pledged bank deposits	21	**10,255,721**	9,045,655
Cash and cash equivalents	22	**1,341,318**	1,095,766
		34,851,903	27,497,945
Non-current assets classified as held for sale	35	**380,016**	–
Assets of disposal group held for sale	36	**–**	5,682,878
		35,231,919	33,180,823
Current liabilities			
Financial liabilities at fair value through profit or loss	17	**77,380**	95,149
Trade and other payables	23	**16,208,114**	13,637,380
Contract liabilities	19(b)	**6,453,504**	3,475,656
Lease liabilities	25	**10,828**	14,307
Amounts due to related parties and non-controlling shareholders of subsidiaries	33(e)	**434,431**	178,354
Interest-bearing borrowings	24	**12,951,172**	13,320,148
Current taxation	28(a)	**498,844**	501,574
		36,634,273	31,222,568
Liabilities directly associated with non-current assets classified as held for sale	35	**39,837**	–
Liabilities of disposal group held for sale	36	**–**	2,404,767
		36,674,110	33,627,335
Net current liabilities		**(1,442,191)**	(446,512)
Total assets less current liabilities		**23,684,960**	25,647,666

Consolidated Statement of **Financial Position (continued)**

at 31 December 2022 (Expressed in Renminbi)

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Interest-bearing borrowings	24	**5,309,836**	4,389,227
Deferred income		**6,105**	8,309
Lease liabilities	25	**3,132**	6,224
Deferred tax liabilities	28(b)	**4,217,781**	4,464,565
		9,536,854	8,868,325
NET ASSETS		**14,148,106**	16,779,341
Capital and reserves			
Share capital	29	**34,454**	32,733
Reserves		**13,717,604**	16,421,990
Total equity attributable to equity shareholders of the Company		**13,752,058**	16,454,723
Non-controlling interests		**396,048**	324,618
TOTAL EQUITY		**14,148,106**	16,779,341

Approved and authorised for issue by the board of directors on 31 March 2023.

Yan Zhi
Director

Qi Zhiping
Director

The notes on pages 87 to 223 form part of these financial statements.

Consolidated Statement of **Changes in Equity**

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

		Attributable to equity shareholders of the Company												
	Notes	Share capital RMB'000	Share premium RMB'000	Shares held for various incentive plans RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021		32,733	4,512,318	(39,029)	535,551	234,066	(144,792)	36,946	53,700	(2,848)	12,651,484	17,870,129	464,327	18,334,456
Loss for the year		–	–	–	–	–	–	–	–	–	(1,326,854)	(1,326,854)	(123,272)	(1,450,126)
Other comprehensive loss for the year														
— Change in fair value of equity investments at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	–	(6,527)	–	(6,527)	–	(6,527)
— Share of other comprehensive income of an associate		–	–	–	–	–	(1,450)	–	–	–	–	(1,450)	–	(1,450)
— Reclassification of exchange difference on disposal of foreign operation		–	–	–	–	–	4,350	–	–	–	–	4,350	–	4,350
— Exchange differences on translation of financial statements of foreign operations		–	–	–	–	–	(6,762)	–	–	–	–	(6,762)	–	(6,762)
Total comprehensive loss for the year		–	–	–	–	–	(3,862)	–	–	(6,527)	(1,326,854)	(1,337,243)	(123,272)	(1,460,515)
Acquisition of non-controlling interest of subsidiaries		–	–	–	–	(38,803)	–	–	–	–	–	(38,803)	34,263	(4,540)
Appropriation to statutory reserve	29(c)(ii)	–	–	–	8,970	–	–	–	–	–	(8,970)	–	–	–
Dividends to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(3,371)	(3,371)
Equity-settled share-based payment for employees	27	–	–	–	–	–	–	–	(1,709)	–	–	(1,709)	–	(1,709)
Disposal of subsidiaries	34	–	–	–	(6,283)	(31,368)	–	–	–	–	–	(37,651)	(47,329)	(84,980)
Balance at 31 December 2021		32,733	4,512,318	(39,029)	538,238	163,895	(148,654)	36,946	51,991	(9,375)	11,315,660	16,454,723	324,618	16,779,341

Consolidated Statement of **Changes in Equity (continued)**

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

		Attributable to equity shareholders of the Company												
	Notes	Share capital RMB'000	Share premium RMB'000	Shares held for various incentive plans RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022		32,733	4,512,318	(39,029)	538,238	163,895	(148,654)	36,946	51,991	(9,375)	11,315,660	16,454,723	324,618	16,779,341
Loss for the year		–	–	–	–	–	–	–	–	–	(3,040,264)	(3,040,264)	59,073	(2,981,191)
Other comprehensive income for the year														
— Exchange differences on translation of financial statements of foreign operations		–	–	–	–	–	80,580	–	–	–	–	80,580	–	80,580
Total comprehensive loss for the year		–	–	–	–	–	80,580	–	–	–	(3,040,264)	(2,959,684)	59,073	(2,900,611)
Issue of shares		1,673	247,574	–	–	–	–	–	–	–	–	249,247	–	249,247
Appropriation to statutory reserve	29(c)(ii)	–	–	–	5,326	–	–	–	–	–	(5,326)	–	–	–
Dividends to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(4,328)	(4,328)
Equity-settled share-based payment for employees	27	48	7,013	–	–	–	–	–	–	–	–	7,061	–	7,061
Disposal of subsidiaries	34	–	–	–	(157,255)	–	–	–	–	–	157,966	711	–	711
Capital contribution from non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	16,685	16,685
Balance at 31 December 2022		34,454	4,766,905	(39,029)	386,309	163,895	(68,074)	36,946	51,991	(9,375)	8,428,036	13,752,058	396,048	14,148,106

The notes on pages 87 to 223 form part of these financial statements.

Consolidated
Statement of Cash Flows

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

	Notes	**2022 RMB'000**	2021 RMB'000
Operating activities			
Cash generated from operations	22(b)	**894,439**	761,149
Income tax paid		**(35,696)**	(39,576)
Net cash generated from operating activities		**858,743**	721,573
Investing activities			
Payment for the purchase of property, plant and equipment and investment properties		**(52,782)**	(74,317)
Payment for the purchase of intangible assets		**(23,872)**	(23,983)
Proceeds from disposal of property, plant and equipment		**19,823**	2,480
Increase in pledged bank deposits		**(1,210,066)**	(2,350,026)
Interest received		**353,367**	223,277
Net cash outflow arising from the acquisition of subsidiaries		**–**	(23,045)
Net proceeds from disposal of subsidiaries	34	**947,812**	218,229
Capital contributions to associates		**(3,000)**	(2,982)
Net proceeds from disposal of associates		**2,634**	380,279
Net proceeds from disposal of a joint venture		**–**	1,501
Purchase of financial assets at fair value through profit or loss		**(440,000)**	(1,714,675)
Cash receipt from financial assets at fair value through profit or loss		**1,247,945**	3,835,595
Advances to related parties and non-controlling shareholders of subsidiaries		**(472,753)**	(467,024)
Repayment from related parties and non-controlling shareholders of subsidiaries		**340,096**	608,829
Deposits received from intended disposal of subsidiaries classified as held for sales		**–**	1,647,472
Net cash generated from investing activities		**709,204**	2,261,610

Consolidated
Statement of Cash Flows (continued)

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

	Notes	2022 RMB'000	2021 RMB'000
Financing activities			
Proceed from issue of shares	29(a)	**249,247**	–
Capital element of lease rentals paid	22(c)	**(19,255)**	(17,384)
Advances from related parties and non-controlling shareholders of subsidiaries	22(c)	**990,450**	264,825
Repayment to related parties and non-controlling shareholders of subsidiaries	22(c)	**(734,373)**	(225,188)
Proceeds from new bank loans and loans from other financial institutions	22(c)	**2,623,066**	11,126,764
Repayment of bank loans and loans from other financial institutions	22(c)	**(3,575,069)**	(11,364,731)
Proceeds from other loans	22(c)	**2,624,605**	3,263,928
Repayment of other loans	22(c)	**(2,783,441)**	(5,354,675)
Interest and other borrowing costs paid	22(c)	**(714,027)**	(754,320)
Interest element of lease rentals paid	22(c)	**(418)**	(1,021)
Dividend paid to non-controlling shareholders of subsidiaries		**(4,328)**	(3,371)
Payment for acquisition of non-controlling interest of a subsidiary		**–**	(4,540)
Proceeds from capital contribution from non-controlling shareholders of subsidiaries		**16,685**	–
Net cash used in financing activities		**(1,326,858)**	(3,069,713)
Net increase/(decrease) in cash and cash equivalents		**241,089**	(86,530)
Cash and cash equivalents at 1 January	22(a)	**1,095,766**	1,184,708
Effect of foreign exchange rate changes		**4,463**	(2,412)
Cash and cash equivalents at 31 December	22(a)	**1,341,318**	1,095,766

The notes on pages 87 to 223 form part of these financial statements.

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 (as defined below) 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 new or amended standards 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 consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 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:

— 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 combination (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(ab)).

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 (the "PRC") and their functional currency is RMB, hence, RMB is used as the presentation currency of the Group.

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 consolidated financial statements and major sources of estimation uncertainty are discussed in note 2.

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

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

— the Group expects to generate positive operating cash flows for the next twelve months by implementing various strategies to improve the Group's income from supply chain management and trading business and rentals from investment properties to generate additional operating cash inflows;

— the Group is actively and regularly reviewing its capital structure negotiating with banks and other financial institutions for roll-over or re-financing its existing borrowings and will consider raising additional fundings by bank borrowings and by issuing bonds or new shares, where appropriate; and

— as detailed in note 35, the Group has plans to dispose of certain non-core business and assets to raise additional working capital.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

In addition, bank loans and loans from other financial institutions of RMB4,357,140,000 were guaranteed and/or secured by certain investment properties, investment properties under development, properties under development for sale, completed properties held for sale and other assets of the Group at 31 December 2022. The Group considered it has sufficient collateral to support the roll-over or refinancing of a substantial portion of the existing borrowings to extend the repayment dates to beyond twelve months from the end of the reporting period. In making this assessment, the Group has considered, among other things, the nature, the value and the volatility of value of its overall property portfolio, including those properties that are currently not pledged.

After considering the above, the directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period. Consequently, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to achieve the above plans and measures such that it would not be operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts and to provide for financial liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

(c) Adoption of new and amended standards

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

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

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

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

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Adoption of new and amended standards *(Continued)*

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

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

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

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

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

(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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 note 1(t).

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)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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 ventures 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)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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 30(f). These investments are subsequently accounted for as follows, depending on their classification.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(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)(ii)(c)).

— fair value through other comprehensive income ("FVOCI") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses.

— When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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)(ii)(a).

(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 hold 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)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Property, plant and equipment *(Continued)*

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.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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 is not transferred to profit or loss at the date of transfer or on subsequent disposal of the investment property.

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:

—	software	3–10 years
—	favourable contracts	2.5 years
—	customer relationship	20 years
—	trademark (with definite useful life)	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.

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).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

(ii) As a lessor

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

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

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.

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, pledged bank deposits, trade and other receivables and amounts due from related parties and non-controlling shareholders of subsidiaries);

— 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.

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 receivables and contract assets are calculated using a provision matrix. The provision matrix is determined 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.

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)(ii)(c) 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.

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.

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)(ii)(e)).

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.

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

— investments 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 ("CGU")). A portion of the carrying amount of a corporate asset is allocated to an individual CGU if the allocation can be done on a reasonable and consistent basis, or to the smallest group of CGUs if otherwise.

— *Recognition of impairment losses*

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iii) Impairment of other non-current assets *(Continued)*

— *Reversals of impairment losses*

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

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

(iv) Interim financial reporting and impairment

Under the 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 (iii)).

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.

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.

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 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.

(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)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see note 1(m)(i)).

Insurance reimbursement is recognised and measured in accordance with note 1(x).

(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 ECL in accordance with the policy set out in note 1(m)(i).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Trade and other payables

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

(s) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Share-based payments

Equity-settled share-based payment transaction with employees

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).

Equity-settled share-based payment transaction with non-employees

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-employees is measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case, with reference to the fair value of the equity instruments granted.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Income tax

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

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

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

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

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

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.

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.

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

(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.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of goods that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

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

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within six months upon customer acceptance. 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 as the period of financing is 12 months or less.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Revenue from contracts with customers *(Continued)*

(b) 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)).

To the extent that the advance payments from customers are regarded as providing a significant financing benefit to the Group, revenue recognised under that contract includes the interest accreted on the contract liability under the effective interest method during the period between the payment date and the revenue recognition date. The discount rate applied is reflective of the rate in a separate financing transaction between the Group and the customer at contract inception. 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).

(c) Construction contracts

The Group's construction activities under construction contracts with customers create or enhance real estate assets controlled by the customers.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised over time during the construction process using the cost-to-cost method. Under the cost-to-cost method, revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs to provide a faithful depiction of the transfer of those services.

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. The Group applies the most likely amount approach to estimate such variable consideration by considering the single most likely amount in a limited range of possible consideration amounts, taking into account the Group's current progress and future performance expectations compared to the agreed completion timeline.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Revenue from contracts with customers *(Continued)*

(c) Construction contracts (Continued)

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. To the extent that the difference in timing arises for reasons other than the provision of finance, no financing component is deemed to exist. Otherwise, the Group has taken 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.

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.

(d) Other practical expedients applied

In addition, the Group has applied the following practical expedients:

— For sales contracts for products that had an original expected duration of one year or less, the Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of IFRS 15.

— The Group has recognised the incremental costs of obtaining contracts relating to the sale of completed properties and services as an expense when incurred in accordance with paragraph 94 of IFRS 15, as the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

(ii) Revenue from other sources and other income

(a) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Revenue from other sources and other income *(Continued)*

(b) 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.

(c) Interest income/financing income

Interest income/financing 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)).

(d) Government grants

Government grants are recognised in the consolidated 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.

(e) Income from financial guarantees issued

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

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Revenue from other sources and other income *(Continued)*

(f) 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.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

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.

(ab) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ac) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ad) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated 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 consolidated 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 consolidated financial statements.

Notes 10, 12, 13, 27 and 30 contain information about the assumptions and their risk factors relating to the valuation of investment properties, intangible assets, 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 the 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.

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 receivables

ECLs on trade 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.

Certain investment properties under development are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

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 of the Company consider that such arrangement is not temporary. In the circumstance, the Group has decided to treat those properties as investment properties (and reclassify them from completed properties held for sale to investment properties) because it is the Group's intention to hold these properties in the 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 2022, 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.

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 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:

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by 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 2022 (2021: nil). Details of credit risk are set out in note 30(a).

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 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB232,083,000 (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 (see note 1(y)(i)(b)). 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 (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 sale 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., and also provides trading-related supply chain financial services.

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and joint ventures, deferred tax assets, prepaid taxes, non-current assets classified as held for sale, assets of disposal group 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, liabilities directly associated with non-current assets classified as held for sale, liabilities of disposal group held for sale and other corporate liabilities.

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

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

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

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 2022 and 2021 is set out below.

	Property development and related services		Supply chain management and trading		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Disaggregation by timing of revenue recognition						
Point in time	**17,819**	154,998	**110,436,161**	103,637,738	**110,453,980**	103,792,736
Over time	**329,868**	648,966	**87,236**	83,303	**417,104**	732,269
Reportable segment revenue	**347,687**	803,964	**110,523,397**	103,721,041	**110,871,084**	104,525,005
Reportable segment profit/(loss)	**20,732**	71,431	**(159,851)**	(302,147)	**(139,119)**	(230,716)
Net valuation loss on investment properties	**(933,998)**	(240,711)	**–**	–	**(933,998)**	(240,711)
Net valuation loss on investment properties held for sales	**(5,251)**	–	**–**	–	**(5,251)**	–
Impairment loss (recognised)/reversed under expected credit loss model	**(62,010)**	(216,476)	**56,314**	(89,831)	**(5,696)**	(306,307)
Impairment loss on intangible assets	**–**	–	**–**	(61,738)	**–**	(61,738)
Impairment loss on goodwill	**–**	–	**(267,083)**	(333,994)	**(267,083)**	(333,994)
Depreciation and amortisation	**(13,884)**	(17,391)	**(69,685)**	(67,409)	**(83,569)**	(84,800)
Finance income	**7**	2,336	**353,357**	220,834	**353,364**	223,170
Finance costs	**(466,158)**	(689,306)	**(442,862)**	(347,727)	**(909,020)**	(1,037,033)
Share of net (losses)/profits of associates	**–**	–	**(820)**	30,056	**(820)**	30,056
Share of net losses of joint ventures	**–**	–	**(835)**	(2,004)	**(835)**	(2,004)
Reportable segment assets	**27,413,241**	28,287,320	**31,414,508**	24,749,572	**58,827,749**	53,036,892
Additions to non-current segment assets during the year	**12,507**	66,773	**82,099**	34,551	**94,606**	101,324
Reportable segment liabilities	**4,147,737**	7,178,223	**35,858,835**	26,251,432	**40,006,572**	33,429,655

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

Revenue

	2022 RMB'000	2021 RMB'000
Reportable segment revenue	**110,871,084**	104,525,005
Other revenue	**35,131**	26,808
Consolidated revenue (note 3(a))	**110,906,215**	104,551,813

Loss

	2022 RMB'000	2021 RMB'000
Reportable segment loss	**(139,119)**	(230,716)
Other net income (note 4)	**135,597**	15,224
Net valuation loss on investment properties	**(933,998)**	(240,711)
Net valuation loss on investment properties held for sale	**(5,251)**	–
Net (loss)/gain on disposal of subsidiaries	**(1,423,797)**	90,583
Finance income (note 5)	**353,364**	223,277
Finance costs (note 5)	**(909,020)**	(1,037,033)
Share of net (losses)/profits of associates	**(820)**	30,056
Share of net losses of joint ventures	**(835)**	(2,004)
Unallocated head office and corporate expenses	**(298,818)**	(457,487)
Consolidated loss before taxation	**(3,222,697)**	(1,608,811)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

Assets

	2022 RMB'000	2021 RMB'000
Reportable segment assets	**58,827,749**	53,036,892
Elimination of inter-segment receivables	**(705,599)**	(815,866)
	58,122,150	52,221,026
Interests in associates	**194,457**	192,578
Interests in joint ventures	**19,230**	20,065
Deferred tax assets	**419,367**	405,409
Prepaid taxes	**38,808**	28,730
Assets held for sale	**380,016**	5,682,878
Unallocated head office and corporate assets	**1,185,042**	724,315
Consolidated total assets	**60,359,070**	59,275,001

Liabilities

	2022 RMB'000	2021 RMB'000
Reportable segment liabilities	**40,006,572**	33,429,655
Elimination of inter-segment payables	**(705,599)**	(815,866)
	39,300,973	32,613,789
Current taxation	**498,844**	501,574
Deferred tax liabilities	**4,217,781**	4,464,565
Liabilities associated with assets held for sale	**39,837**	2,404,767
Unallocated head office and corporate liabilities	**2,153,529**	2,510,965
Consolidated total liabilities	**46,210,964**	42,495,660

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(iii) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, intangible assets, goodwill, interests in associates, joint ventures and contract asset ("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 assets, 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 interests in associates and joint ventures.

	Revenue from external customers		Specified non-current assets	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
The PRC	**100,497,433**	100,311,253	**24,705,790**	25,681,822
Singapore	**10,408,782**	4,232,643	**1,994**	6,947
Others	**–**	7,917	**–**	–
	110,906,215	104,551,813	**24,707,784**	25,688,769

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

4 OTHER NET INCOME

	2022 RMB'000	2021 RMB'000
Net fair value changes on financial instruments at fair value through profit or loss		
— listed equity securities	**(1,730)**	(42,258)
— wealth management products and trust products	**34,446**	7,287
— forward contracts	**25,549**	20,820
— contingent consideration (note 30(f)(i))	**(1,176)**	(54,746)
	57,089	(68,897)
Net gain on disposal of associates	**–**	27,514
Government subsidies (note)	**41,910**	36,738
Others	**36,598**	19,869
	135,597	15,224

Note:

During the year ended 31 December, 2022, the Group has received subsidies of RMB41,910,000 (2021: RMB36,738,000) from the relevant PRC governments related to employment support schedule, export and tax subsidies. There are no unfulfilled conditions or contingencies relating to the grants.

(Expressed in Renminbi unless otherwise indicated)

5 LOSS BEFORE TAXATION

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

(a) Finance (income)/costs

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

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

(b) Staff costs

	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	**295,184**	312,119
Contributions to defined contribution retirement plans	**19,384**	20,889
Equity-settled share-based payment expenses recognised/(reversed) (note 27)	**7,061**	(1,709)
	321,629	331,299

5 LOSS BEFORE TAXATION *(Continued)*

(c) Other items

	2022 RMB'000	2021 RMB'000
Amortisation		
— intangible assets (note 12)	**46,504**	46,097
Depreciation (note 11)		
— owned property, plant and equipment	**12,830**	12,233
— right-of-use assets	**25,314**	28,294
Impairment loss recognised/(reversed) under expected credit loss model of financial assets		
— trade debtors and bills receivable (note 30(a)(i))	**23,898**	27,621
— rental receivables (note 30(a)(i))	**(12,681)**	233,122
— loans and factoring receivables (note 30(a)(ii))	**(42,501)**	(6,756)
— other receivables (note 30(a)(iii))	**57,672**	21,605
— amount due from related parties (note 30(a)(iv))	**–**	29,236
— advance to suppliers	**2,748**	(342)
— contract assets (note 30(a)(i))	**–**	1,821
Auditors' remuneration		
— audit services	**4,200**	4,200
Research and development costs (other than amortisation costs)	**22,009**	46,948
Rentals receivable from investment properties less direct outgoings of RMB4,055,000 (2021: RMB10,792,000)	**(236,881)**	(519,842)
Cost of construction contracts	**–**	12,205
Cost of commodities sold (note 18(c)(ii))	**110,189,548**	103,351,307
Cost of properties sold (note 18(b))	**77,188**	145,123

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

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 the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands. Also, certain subsidiaries located in the British Virgin Islands ("BVI") are not subject to any income tax in their local jurisdictions.

(ii) No provision for Hong Kong Profits Tax or Singapore Corporate Income Tax as the Group did not earn any assessable income subject to Hong Kong Profits Tax or Singapore Corporate Income Tax during the years ended 31 December 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 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 years ended 31 December 2022 and 2021, 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 years ended 31 December 2022 and 2021. 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 years ended 31 December 2022 and 2021. The application of preferential tax rate is reviewed by the tax authority annually.

All the other PRC subsidiaries of the Group are subject to income tax at 25% for the years ended 31 December 2022 and 2021 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 are 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.

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 and accounting loss at applicable tax rates

	2022 RMB'000	2021 RMB'000
Loss before taxation	**(3,222,697)**	(1,608,811)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdictions concerned	**(784,508)**	(371,057)
Tax effect of non-deductible expenses	**33,042**	642
Tax effect of non-taxable share of net profits of associates and joint ventures	**414**	1,763
Tax effect of non-taxable income	**(4,166)**	(7,559)
Tax effect of unused tax losses not recognised	**551,669**	234,084
Utilisation of previously unrecognised tax losses	**(24,431)**	(26,710)
PRC LAT in relation to properties sold	**3,459**	14,166
Over-provision of PRC LAT in prior years	**(21,494)**	–
Tax effect on PRC LAT	**4,509**	(4,014)
Actual tax credit	**(241,506)**	(158,685)

7 DIRECTORS' EMOLUMENTS

Directors' emoluments are as follows:

	For the year ended 31 December 2022						
	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Equity-settled share-based payment (Note) RMB'000	Total RMB'000
Co-Chairman and executive directors:							
Mr. Yan Zhi	1,099	1,146	–	–	2,245	–	2,245
Dr. Gang Yu	1,200	–	–	–	1,200	114	1,314
Executive directors:							
Mr. Qi Zhiping	600	1,894	2,136	117	4,747	584	5,331
Mr. Yu Wei	206	1,684	579	23	2,492	123	2,615
Mr. Xia Lifeng	206	228	–	52	486	233	719
Mr. Wei Zhe (resigned on 1 January 2023)	1,200	–	–	–	1,200	114	1,314
Independent non-executive directors:							
Mr. Cheung Ka Fai	412	–	–	–	412	76	488
Mr. Wu Ying	412	–	–	–	412	76	488
Mr. Zhu Zhengfu	412	–	–	–	412	76	488
	5,747	4,952	2,715	192	13,606	1,396	15,002

7 DIRECTORS' EMOLUMENTS *(Continued)*

Directors' emoluments are as follows:

	For the year ended 31 December 2021						
	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Equity-settled share-based payment (Note) RMB'000	Total RMB'000
Co-Chairman and executive directors:							
Mr. Yan Zhi	1,063	1,806	–	19	2,888	–	2,888
Dr. Gang Yu	1,200	–	–	–	1,200	–	1,200
Executive directors:							
Mr. Qi Zhiping	600	1,729	–	92	2,421	(85)	2,336
Mr. Yu Wei (appointed on 15 June 2021)	108	1,445	–	26	1,579	–	1,579
Mr. Xia Lifeng (appointed on 15 June 2021)	108	224	–	24	356	–	356
Mr. Wei Zhe (resigned on 1 January 2023)	1,200	–	–	–	1,200	–	1,200
Ms. Min Xueqin (resigned on 30 April 2021)	66	100	–	13	179	–	179
Independent non-executive directors:							
Mr. Cheung Ka Fai	398	–	–	–	398	–	398
Mr. Wu Ying	398	–	–	–	398	–	398
Mr. Zhu Zhengfu	398	–	–	–	398	–	398
	5,539	5,304	–	174	11,017	(85)	10,932

Note: These represent the estimated value of share options and share award granted to the directors under the Company's Share Option and 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 and share awarded, are disclosed under the paragraph "Share option schemes" and "Share Award Schemes" in the Report of the Directors and note 27.

7 DIRECTORS' EMOLUMENTS *(Continued)*

Mr. Yan Zhi and Mr. Qi Zhiping performs the function of co-chief executives of the Company and their emoluments disclosed above include those for services rendered by them as the co-chief executives.

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 and Emolument Policy" in the Report of the Directors contained in this annual report.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2021: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2021: two) individuals are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**3,263**	3,590
Discretionary bonuses	**1,401**	–
Retirement scheme contributions	**133**	107
Equity-settled share-based payment expenses	**719**	–
	5,516	3,697

The emoluments of two (2021: two) individuals with the highest emoluments are within the following bands:

	2022 **Number of individuals**	2021 Number of individuals
HK$1,500,001–2,000,000	**–**	1
HK$2,000,001–2,500,000	**–**	1
HK$3,000,001–3,500,000	**2**	–

9 LOSS PER SHARE

(a) Basic loss per share

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

	2022 **'000**	2021 '000
Issued ordinary shares at 1 January	**11,782,826**	11,782,826
Effect of shares issued under Management Shares Award Scheme (see note 27(b))	**(5,316)**	(5,316)
Effect of shares issued under 2022 Shares Award Scheme (see note 29(b)(ii))	**6,261**	–
Effect of issue of shares (see note 29(b)(i))	**406,027**	–
Weighted average number of ordinary shares at 31 December	**12,189,798**	11,777,510

(b) Diluted loss per share

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

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 2021	23,762,321	5,740,076	29,502,397
Additions	38,372	16,404	54,776
Disposals arising from disposal of subsidiaries	(317,803)	–	(317,803)
Transfer to property, plant and equipment (note 11)	(16,792)	(25,975)	(42,767)
Transfer to assets held for sale (note 36)	(271,901)	(4,503,026)	(4,774,927)
Fair value adjustments	(233,721)	(6,990)	(240,711)
At 31 December 2021	22,960,476	1,220,489	24,180,965
Representing:			
Cost	8,704,503	710,524	9,415,027
Fair value adjustments	14,255,973	509,965	14,765,938
	22,960,476	1,220,489	24,180,965
At 1 January 2022	**22,960,476**	**1,220,489**	**24,180,965**
Transfer from completed properties held for sale	**134,140**	**–**	**134,140**
Transfer from properties under development for sale	**–**	**94,557**	**94,557**
Fair value adjustments	**(1,139,485)**	**205,487**	**(933,998)**
At 31 December 2022	**21,955,131**	**1,520,533**	**23,475,664**
Representing:			
Cost	**8,838,643**	**805,081**	**9,643,724**
Fair value adjustments	**13,116,488**	**715,452**	**13,831,940**
	21,955,131	**1,520,533**	**23,475,664**
Book value:			
At 31 December 2022	**21,955,131**	**1,520,533**	**23,475,664**
At 31 December 2021	22,960,476	1,220,489	24,180,965

10 INVESTMENT PROPERTIES *(Continued)*

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

Note: During the year ended 31 December 2022, 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 inception of operating lease as stipulated in the lease agreements entered into by the Group. Correspondingly, a fair value gain of RMB487,999,000 (2021 RMBNil) was recognised in profit or loss upon transfer.

As at 31 December 2022, the Group's investment properties with an aggregated carrying value of approximately RMB10,341,008,000 (2021: RMB14,523,041,000) were pledged as collateral for the Group's interest-bearing borrowings (note 24).

(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 valuation: 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 valuation: 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 markets data are not available

- Level 3 valuation: Fair value measured using significant unobservable inputs

10 INVESTMENT PROPERTIES *(Continued)*

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

(i) Fair value hierarchy *(Continued)*

	Fair value as at 31 December 2022 RMB'000	Fair value measurements as at 31 December 2022 categorised into level 3 RMB'000
Recurring fair value measurement		
— investment properties	**23,475,664**	**23,475,664**

	Fair value as at 31 December 2021 RMB'000	Fair value measurements as at 31 December 2021 categorised into level 3 RMB'000
Recurring fair value measurement		
— investment properties	24,180,965	24,180,965

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2022 and 2021. The valuations were carried out by an independent firm of surveyors, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, which has recognised and relevant professional qualification and has recent experience in the location and category of the investment properties 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.

(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% (2021: 4.5%)
		Reversion yield	5.0% (2021: 5.0%)
		Market monthly rental rate (RMB/sqm.)	4.2–118 2021: 8.4–120)
		Occupancy rate	90%–95% (2021: 90%–95%)
Investment properties under development	Residual approach	Term yield	5.0%–5.5% (2021: 5.0%–5.5%)
		Reversion yield	5.5%–6.0% (2021: 5.5%–6.0%)
		Market monthly rental rate (RMB/sqm.)	26–74 (2021: 26–74)
		Occupancy rate	0%–95% (2021: 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.

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 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 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.

	2022		2021	
	Increase RMB'000	**Decrease RMB'000**	Increase RMB'000	Decrease RMB'000
Reversion yield				
— 0.5% movement	**(1,621,000)**	**1,802,000**	(2,300,000)	1,802,000
— 1% movement	**(3,049,000)**	**3,819,000**	(4,044,000)	4,222,000
Market monthly rental rate (RMB/sqm.)				
— 5% movement	**1,053,000**	**(1,154,000)**	1,003,000	(1,725,000)
— 10% movement	**2,305,000**	**(2,310,000)**	2,369,000	(3,091,000)
Occupancy rate				
— 5% decrease	**N/A**	**(1,180,000)**	N/A	(1,456,000)
— 10% decrease	**N/A**	**(2,430,000)**	N/A	(2,894,000)

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:

	2022 RMB'000	2021 RMB'000
Within 1 year	**147,546**	327,074
After 1 year but within 2 years	**178,306**	191,734
After 2 years but within 3 years	**179,490**	140,685
After 3 years but within 4 years	**221,255**	119,197
After 4 years but within 5 years	**213,836**	99,441
After 5 years	**42,949**	878,950
	983,382	1,757,081

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	Construction in progress RMB'000	Total RMB'000
Cost:						
At January 2021	456,946	47,877	30,563	131,626	–	667,012
Additions	11,997	3,024	1,406	5,702	436	22,565
Transfer from investment properties (note 10)	42,767	–	–	–	–	42,767
Transfer to assets held for sale (note 35)	(5,984)	(758)	(1,652)	(2,484)	–	(10,878)
Transfer to inventories	(221,538)	–	–	–	–	(221,538)
Disposals	(165)	(2,114)	(1,754)	(935)	–	(4,968)
Disposals arising from disposal of subsidiaries	(2,815)	–	(2,043)	(651)	–	(5,509)
At 31 December 2021 and 1 January 2022	**281,208**	**48,029**	**26,520**	**133,258**	**436**	**489,451**
Additions	**10,884**	**17,927**	**2,353**	**11,909**	**27,636**	**70,709**
Disposals	**(15,981)**	**(34,897)**	**(3,225)**	**(1,482)**	**–**	**(55,585)**
At 31 December 2022	**276,111**	**31,059**	**25,648**	**143,685**	**28,072**	**504,575**
Accumulated depreciation:						
At 1 January 2021	108,846	12,696	25,180	84,524	–	231,246
Charge for the year	13,225	15,069	1,792	10,441	–	40,527
Transfer to assets held for sale (note 35)	(573)	(674)	(1,570)	(2,146)	–	(4,963)
Written back on transfer to inventories	(50,506)	–	–	–	–	(50,506)
Written back on disposals	(52)	(1,410)	(743)	(325)	–	(2,530)
Disposals arising from disposal of subsidiaries	(1,114)	–	(1,901)	(203)	–	(3,218)
At 31 December 2021 and 1 January 2022	**69,826**	**25,681**	**22,758**	**92,291**	**–**	**210,556**
Charge for the year	**12,476**	**12,838**	**1,580**	**11,250**	**–**	**38,144**
Written back on disposals	**(10,309)**	**(21,640)**	**(2,353)**	**(1,347)**	**–**	**(35,649)**
At 31 December 2022	**71,993**	**16,879**	**21,985**	**102,194**	**–**	**213,051**
Net book value:						
At 31 December 2022	**204,118**	**14,180**	**3,663**	**41,491**	**28,072**	**291,524**
At 31 December 2021	211,382	22,348	3,762	40,967	436	278,895

11 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The ownership certificates for certain buildings with net book value of RMB45,363,000 (2021: RMB72,988,000) have not been obtained. The directors of the Company 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 2022, the Group's buildings with carrying value of RMB99,895,000 (2021: RMB44,895,000) were pledged as collateral for the Group's interest-bearing borrowings (notes 24).

(a) Right-of-use assets

	Notes	2022 RMB'000	2021 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 between 10 and 50 years	(i)	**204,118**	211,382
Other properties leased for own use, carried at depreciated cost	(ii)	**14,180**	22,348
		218,298	233,730

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

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets:		
Ownership interests in leasehold land and buildings	**12,476**	13,225
Other properties leased for own use	**12,838**	15,069
Interest on lease liabilities (note 5(a))	**418**	1,021
Expenses relating to short-term leases	**11,470**	7,549

During the year ended 31 December 2022, additions to right-of-use assets were RMB28,881,000 (2021: RMB15,021,000). This amount primarily related to the additions to ownership interests in leasehold land and buildings held for own use and 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 18, 22(d) and 25, respectively.

(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.

(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. 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.

12 INTANGIBLE ASSETS

	Software RMB'000	Favourable contracts RMB'000	Customer relationship RMB'000	Trademark RMB'000	Total RMB'000
Cost:					
At 1 January 2021	126,357	23,100	737,700	176,552	1,063,709
Additions	23,983	–	–	–	23,983
Disposals	–	–	–	(48)	(48)
Disposals arising from disposal of subsidiaries	(254)	–	–	–	(254)
At 31 December 2021 and 1 January 2022	**150,086**	**23,100**	**737,700**	**176,504**	**1,087,390**
Additions	**23,799**	**–**	**–**	**73**	**23,872**
At 31 December 2022	**173,885**	**23,100**	**737,700**	**176,577**	**1,111,262**
Accumulated amortisation:					
At 1 January 2021	55,124	23,100	134,507	969	213,700
Charge for the year	16,563	–	29,362	172	46,097
Disposals arising from disposals of subsidiaries	(118)	–	–	–	(118)
At 31 December 2021 and 1 January 2022	**71,569**	**23,100**	**163,869**	**1,141**	**259,679**
Charge for the year	**20,607**	**–**	**25,708**	**189**	**46,504**
At 31 December 2022	**92,176**	**23,100**	**189,577**	**1,330**	**306,183**
Accumulated impairment loss:					
At 1 January 2021	1,260	–	219,059	79,289	299,608
Impairment loss recognised	–	–	56,638	5,100	61,738
Disposals arising from disposal of subsidiaries	(1,260)	–	–	–	(1,260)
At 31 December 2021, 1 January 2022 and 31 December 2022	**–**	**–**	**275,697**	**84,389**	**360,086**
Net book value:					
At 31 December 2022	**81,709**	**–**	**272,426**	**90,858**	**444,993**
At 31 December 2021	78,517	–	298,134	90,974	467,625

12 INTANGIBLE ASSETS *(Continued)*

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

An impairment test has been carried out for the trademark of Shenzhen Sinoagri's E-commerce Co., Ltd. ("Shenzhen Sinoagri's") which has indefinite useful life. The recoverable amount of trademark, being its fair value less cost of disposal, 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 16.92% (2021: 22.00%). The growth of royalty income was projected taking into account of Shenzhen Sinoagri's gross profit of 16.15% (2021: 30.81%) of next 5 years and a fixed royalty rate of 4% (2021: 4%) based on the historical industry information. Gross profit was projected taking into account the average growth levels experience 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 3.73% (2021: 7%). The growth rate used do not exceed the long-term average growth rate for the business in which the trademark related to. The discount rate used is post-tax rate of 16.92% (2021: 18.69%) and reflects specific risks relating to the relevant CGU. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

No impairment loss or reversal of impairment loss is considered necessary for trademark for the year ended 31 December 2022 (2021: an impairment loss of RMB5,100,000 was recognised). As the trademark has been reduced to its recoverable amount of RMB90,400,000 (2021: RMB90,400,000), any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

12 INTANGIBLE ASSETS *(Continued)*

As at 31 December 2021, management assessed that there was an indication of impairment for Shenzhen Sinoagri's customer relationship considering the continuous impact from COVID-19 pandemic on the financial performance of Shenzhen Sinoagri's 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 is discounted and adjusted into present worth to reflect all risks including intrinsic and extrinsic uncertainties in relation to the customer relationship. The 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 30.81% of next 5 years and an annual customer attrition rate of 15.86% based on historical data from internal sources. Gross profit was projected taking into account the average growth levels experience 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 15 years were using an estimated growth rate of 2%. The growth rate used did not exceed the long-term average growth rate for the business in which the customer relationship is related to. The discount rate used was post-tax rate and reflects specific risks relating to the relevant CGU. The cash flows were discounted using a post-tax rate of 18.69%. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

Impairment loss of RMB56,638,000 was recognised for customer relationship for the year ended 31 December 2021. As the customer relationship has been reduced to its recoverable amount of RMB290,200,000 any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

13 GOODWILL

	RMB'000
Cost:	
At 1 January 2021	1,770,959
Additions through business combination	408
At 31 December 2021, 1 January 2022 and 31 December 2022	**1,771,367**
Accumulated impairment losses:	
At 1 January 2021	918,792
Impairment loss recognised	333,994
At 31 December 2021 and 1 January 2022	**1,252,786**
Impairment loss recognised	**267,083**
At 31 December 2022	**1,519,869**
Carrying amount:	
At 31 December 2022	**251,498**
At 31 December 2021	518,581

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGU identified according to operating segment as follows:

	2022 RMB'000	2021 RMB'000
Shenzhen Sinoagri — business of supply chain management and trading of agriculture products	**251,113**	489,102
HSH International Inc. ("HSH") — business of supply chain management and trading of chemical and plastic raw materials	**–**	29,094
Others	**385**	385
	251,498	518,581

13 GOODWILL *(Continued)*

With the continuation of COVID-19 impact, the financial performance of CGU-Shenzhen Sinoagri has been lowered than prior year's expectation. The recoverable amount of the CGU-Shenzhen Sinoagri is determined based on value-in-use calculation. This calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The average budgeted gross profit growth rate for the five-year period is 16.15% (2021: 30.81%). The budgeted gross profit 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 2% (2021: 2%). The growth rate used does not exceed the long-term average growth rate for the business in which the CGU operates. The cash flows are discounted using a discount rate of 21.05% (2021: 21.69%). The discount rate used reflects specific risks relating to the relevant CGU. As a result, the impairment loss of approximately RMB237,989,000 (2021: RMB260,299,000) was recognised for CGU-Shenzhen Sinogri during the year ended 31 December 2022.

In view of the slow-down in performance on chemical and plastic material market through the latest market research analysis, management lowered the financial budget of CGU-HSH covering the following five-year period. The recoverable amount of the CGU- HSH is determined based on value-in-use calculation. This calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The average budgeted gross profit growth rate for the five-year period is 14.10% (2021: 19.06%). Budgeted gross profit 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 2.00% (2021: 2%). The growth rate used does not exceed the long-term average growth rate for the business in which the CGU operates. The cash flows are discounted using a discount rate of 25.09% (2021: 27.80%). The discount rate used reflects specific risks relating to the relevant CGU. As a result, the impairment loss of approximately RMB29,094,000 (2021: RMB60,967,000) was recognised for CGU-HSH during the year ended 31 December 2022.

13 GOODWILL *(Continued)*

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:

	2022 Impairment higher by: RMB'000	2021 Impairment higher by: RMB'000
A decrease in the sales volume		
— 5%	**45,600**	14,581
— 10%	**91,200**	29,162
A decrease in the gross profit margin		
— 0.05%	**36,600**	78,233
— 0.10%	**73,200**	158,392
An increase in discount rate		
— 1%	**29,000**	40,612
— 2%	**53,900**	76,552

(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.

			Proportion of ownership interest			
Name of subsidiaries	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Wuhan North Hankou Trade Market Investment Co., Ltd. (note (i) and (ii)) 武漢漢口北商貿市場投資有限公司	The PRC	RMB378,600,000	100%	–	100%	Property development
Zall Investment Group Co., Ltd. (note (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. (note (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
Shenzhen Sinoagri (note (i) and (iii))	The PRC	RMB509,000,000	71.85%	–	71.85%	Supply chain management and trading business
Shenzhen Kunshang E-Sugar Supply Chain Co., Ltd. (note (i) and (ii)) 深圳市昆商易糖供應鏈有限公司	The PRC	RMB80,000,000	47.76%	–	100%	Supply chain management and trading business
Guangxi Kangchen Shitang Trading Co., Ltd. (note (i) and (ii)) 廣西康宸世糖貿易有限公司	The PRC	RMB50,000,000	47.76%	–	100%	Supply chain management and trading business

(Expressed in Renminbi unless otherwise indicated)

14 INTERESTS IN SUBSIDIARIES *(Continued)*

			Proportion of ownership interest			
Name of subsidiaries	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Guangxi Sugar Market Network Co., Ltd (note (i) and (ii)) 廣西糖網食糖批發市場有限責任公司	The PRC	RMB50,000,000	47.76%	–	100%	Supply chain management and trading business
Shanghai Zall Steel E-commerce Co., Ltd. (note (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. (note (i) and (ii)) 常州塑來貿易有限公司	The PRC	RMB50,000,000	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 a Sino-foreign equity joint venture established in the PRC.

14 INTERESTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information relating to Shenzhen Sinoagri and its subsidiaries, which have a material non-controlling interest ("NCI"). The NCI of all other subsidiaries that are not 100% owned by the Group are considered to be immaterial. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2022 RMB'000	2021 RMB'000
NCI percentage	**28.15%**	28.15%
As at 31 December		
Current assets	**19,765,414**	16,965,695
Non-current assets	**724,988**	660,149
Current liabilities	**19,180,290**	16,419,502
Non-current liabilities	**146,026**	124,922
Net assets	**1,164,086**	1,081,420
Carrying amount of NCI	**447,514**	454,824
For the year ended 31 December		
Revenue	**43,008,487**	45,887,060
Profit/(loss) for the year before amortisation of intangible assets, impairment loss on intangible assets and equity-settled share-based payment expenses reversed	**75,368**	(78,012)
(Expense)/income arisen from acquisition (after tax):		
— Amortisation of intangible assets	**(5,926)**	(8,297)
— Impairment loss on intangible assets	**–**	(46,304)
— Equity-settled share-based payment expense reversed	**–**	1,709
Profit/(loss) for the year	**69,442**	(130,904)
Total comprehensive income/(loss) for the year	**69,442**	(130,904)
Profit/(loss) attributable to NCI	**55,331**	(44,556)
Dividend paid to NCI	**–**	3,371
For the year ended 31 December		
Net cash generated from operating activities	**375,144**	306,553
Net cash used in investing activities	**(72,647)**	(52,160)
Net cash used in financing activities	**(81,152)**	(368,197)

15 INTERESTS IN ASSOCIATES

The directors of the Company are of the view that the Group had no individually material associates as at 31 December 2022 and 2021. Aggregate information of the associates that are not individually material:

	2022 RMB'000	2021 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**194,457**	192,578
Aggregate amount of the Group's share of those associates'		
— Profit for the year	**1,513**	9,107
— Other comprehensive income for the year	**–**	211
— Total comprehensive income for the year	**1,513**	9,318

During the year ended 31 December 2021, the equity interest in a material associate, LightInTheBox Holding Co., Ltd. ("LightInTheBox"), was reduced to 0.46% after the completion of disposal and accordingly, the Group accounted for the remaining 0.46% equity interest as financial asset at fair value through profit or loss since then. During the year ended 31 December 2021 and up to the completion date of disposal, the share of net profits and other comprehensive loss arising from associate of LightInTheBox are amounted to RMB20,949,000 and RMB1,661,000, respectively.

16 INTERESTS IN JOINT VENTURES

The directors of the Company are of the view that the Group had no individually material joint venture as at 31 December 2022 and 2021. Aggregate information of the joint ventures that are not individually material:

	2022 RMB'000	2021 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statement	**19,230**	20,065
Aggregate amount of the Group's share of the joint ventures'		
— Losses for the year	**(835)**	(2,004)
— Other comprehensive income for the year	**–**	–
— Total comprehensive loss for the year	**(835)**	(2,004)

17 FINANCIAL ASSET/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Financial assets at fair value through profit or loss		
Listed equity securities in Hong Kong		
— Fullshare Holding Limited	**55,958**	52,666
Listed equity securities in the United States		
— LightInTheBox	**4,455**	6,891
Wealth management products and trust products (note (i))	**448,899**	1,244,501
Forward contracts	**151,656**	124,359
Contingent consideration (note 30(f))		
— Acquisition of Shenzhen Sinoagri (note (ii))	**23,824**	25,000
	684,792	1,453,417
Financial liabilities at fair value through profit or loss		
Forward contracts	**77,380**	95,149

Note:

(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 approximately RMB385,000,000 (2021: RMB1,171,189,000) were pledged as collateral for the Group's bills payable (notes 23(d)).

(ii) The amount represents the contingent consideration of acquisition of Shenzhen Sinoagri amounting to RMB23,824,000 as at 31 December 2022 (2021: RMB25,000,000). 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.

18 INVENTORIES

	2022 RMB'000	2021 RMB'000
Inventories		
Properties under development for sale (note (a))	**1,951,005**	1,463,615
Completed properties held for sale (note (b))	**1,286,848**	1,375,505
Commodities (note (c))	**1,270,368**	964,803
	4,508,221	3,803,923

(a) Properties under development for sale

The amount of properties under development for sale expected to be recovered after more than one year is RMB1,951,005,000 (2021: RMB1,006,987,000).

As at 31 December 2022, certain properties under development with an aggregate carrying value of RMB233,860,000 (2021: RMB233,695,000) was pledged as collateral for the Group's interest-bearing borrowings (note 24).

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

	2022 RMB'000	2021 RMB'000
In the PRC, with remaining lease term of:		
— Between 40–50 years	**325,171**	129,165

18 INVENTORIES *(Continued)*

(b) Completed properties held for sale

	2022 **RMB'000**	2021 RMB'000
Completed properties held for sale in the PRC	**1,286,848**	1,375,505

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

	2022 **RMB'000**	2021 RMB'000
In the PRC, with remaining lease term of:		
— 50 years or more	**13,730**	14,076
— Between 40–50 years	**43,853**	46,731
	57,583	60,807

Carrying amount of completed properties held for sale recognised as an expenses and included in profit or loss for the year ended 31 December 2022 is RMB77,188,000 (2021: RMB145,123,000).

The amount of completed properties held for sale expected to be recovered after more than one year is RMB1,286,848,000 (2021: RMB1,136,526,000).

As at 31 December 2022, completed properties held for sale with an aggregate carrying value of RMB174,276,000 (2021: RMB250,830,000) were pledged as collateral for the Group's interest-bearing borrowing (notes 24).

18 INVENTORIES *(Continued)*

(c) Commodities

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

	2022 RMB'000	2021 RMB'000
Supply chain management and trading business		
— Sugar	**252,083**	402,526
— Steel	**871,224**	509,731
— Chemical materials	**30,926**	1,944
— Plastic	**–**	4,809
— Others	**116,135**	45,793
	1,270,368	964,803

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

	2022 RMB'000	2021 RMB'000
Carrying amount of commodities sold	**110,189,548**	103,351,307

19 CONTRACT ASSET AND CONTRACT LIABILITIES

(a) Contract assets

	2022 RMB'000	2021 RMB'000
Contract assets		
Arising from performance under construction contracts	**30,418**	30,060
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (note 20)	**5,990,370**	6,005,469

The amount of contract assets that is expected to be recovered after more than one year is RMB30,418,000 (2021: RMB30,060,000).

19 CONTRACT ASSET AND CONTRACT LIABILITIES *(Continued)*

(b) Contract liabilities

	2022 **RMB'000**	2021 RMB'000
Contract liabilities		
Properties development and related services		
— Forward sales deposits and instalments received	**185,172**	199,587
Supply chain management and trading		
— Deposits received from third parties	**6,240,733**	3,274,569
Others		
— Deposits received	**27,599**	1,500
	6,453,504	3,475,656

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 RMB1,508,309,200 (2021: RMB1,012,948,000) 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 to Z-bank, with recourse by the Group to such action as realising any inventories of the customers held.

19 CONTRACT ASSET AND CONTRACT LIABILITIES *(Continued)*

(b) Contract liabilities *(Continued)*

Movements in contract liabilities

	2022 RMB'000	2021 RMB'000
Balance at 1 January	**3,475,656**	4,025,312
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 year	**(3,022,069)**	(3,539,366)
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	**7,002**	16,665
Increase in contract liabilities as a result of accruing interest expense on advances	**4,376**	4,435
Net increase in contract liabilities as a result of receiving deposits in respect of commodities not yet delivered as at the year end	**5,988,539**	3,112,449
Decrease in contract liabilities as a result of disposal of a subsidiary	**–**	(140,937)
Transfer to liabilities associated with assets held for sale (note 36)	**–**	(2,902)
Balance at 31 December	**6,453,504**	3,475,656

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 RMB144,157,000 (2021: RMB86,158,000).

20 TRADE AND OTHER RECEIVABLES

	Note	2022 RMB'000	2021 RMB'000
Trade receivables, net of loss allowance	20(a)	**8,351,748**	6,199,658
Loans and factoring receivables, net of loss allowance	20(b)	**966,372**	729,697
		9,318,120	6,929,355
Advances to suppliers		**5,533,980**	3,514,976
Other receivables, deposits and prepayments		**2,531,023**	1,118,860
		17,383,123	11,563,191

As at 31 December 2022, trade receivables of nil (2021: RMB24,739,000) and other receivables of RMB8,000,000 (2021: RMB8,000,000) were pledged as collateral for the Group's interest-bearing borrowings (note 24).

(a) Ageing analysis of trade receivables

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

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

Customers are normally granted credit terms of 0 to 360 days, depending on the creditworthiness of individual customers. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 30(a)(i).

20 TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

Note: Secured loans receivables represent loans advanced to third-parties borrowers secured by the borrowers' inventories, properties or unlisted shares.

Ageing analysis

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:

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

Borrowers are normally granted credit terms of 0 to 360 days, depending on the credit worthiness of individual customers. Further details on the Group's credit policy and credit risk arising from loans and factoring receivables are set out in note 30(a)(ii).

21 PLEDGED BANK DEPOSITS

	2022 RMB'000	2021 RMB'000
Secured for bank loans (note 24)	–	153,000
Secured for letters of credit and bills payable (note 23)	10,203,994	8,841,955
Others	51,727	50,700
	10,255,721	9,045,655

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2022 RMB'000	2021 RMB'000
Cash at bank and on hand	1,341,318	1,095,766

At 31 December 2022, cash and cash equivalents (including pledged bank deposits) with aggregate amount of RMB11,423,365,000 (2021: RMB10,095,307,000) were placed with banks in the PRC. Remittance of funds out of the PRC is subject to the relevant rules and regulation of foreign exchange control promulgated by the PRC government.

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(b) Reconciliation of loss before taxation to cash generated from operations

	Note	2022 RMB'000	2021 RMB'000
Loss before taxation		**(3,222,697)**	(1,608,811)
Adjustments for:			
Amortisation of intangible assets	5(c)	**46,504**	46,097
Depreciation of property, plant and equipment	5(c)	**38,144**	40,527
Finance income	5(a)	**(353,367)**	(223,277)
Finance costs	5(a)	**910,001**	1,037,033
Net valuation loss on investment properties		**933,998**	240,711
Net valuation loss on investment properties held for sale		**5,251**	–
Fair value changes on financial instruments at fair value through profits or loss	4	**(57,089)**	68,897
Share of net profits of associates	15	**(1,513)**	(30,056)
Share of net losses of joint ventures	16	**835**	2,004
Equity-settled share-based payment expenses recognised/(reversed)	5(b)	**7,061**	(1,709)
Net loss/(gain) on disposal of subsidiaries	34	**1,423,797**	(90,583)
Net gain on disposal of associates	4	**–**	(27,514)
Impairment loss on intangible assets	12	**–**	61,738
Impairment loss on goodwill	13	**267,083**	333,994
Impairment loss on recognised under expected credit loss model, net of reversal	5(c)	**29,136**	306,307
Others		**(11,974)**	2,164
Operating profit before changes in working capital		**15,170**	157,522
(Increase)/decrease in inventories		**(475,813)**	13,891
(Increase)/decrease in trade and other receivables		**(4,556,675)**	36,672
(Increase)/decrease in contract assets		**(358)**	312,085
Increase in trade and other payables		**2,939,373**	672,164
Increase/(decrease) in contract liabilities		**2,974,946**	(430,421)
Decrease in deferred income		**(2,204)**	(764)
Cash generated from operations		**894,439**	761,149

22 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 statement of cash flows as cash flows from financing activities.

	Interest-bearing borrowings RMB'000	Lease liabilities RMB'000	Amounts due to related parties and non-controlling shareholders of subsidiaries RMB'000	Total RMB'000
At 1 January 2022	17,709,375	20,531	178,354	17,908,260
Changes from financial cash flows:				
Advance from related parties	–	–	990,450	990,450
Repayment to related parties	–	–	(734,373)	(734,373)
Transfer from other payables	1,647,472	–	–	1,647,472
Proceeds from new bank loans and loans from other financial institutions	2,678,353	–	–	2,678,353
Repayment of bank loans and loans from other financial institutions	(3,575,069)	–	–	(3,575,069)
Proceeds from other loans	2,584,318	–	–	2,584,318
Repayment of other loans	(2,783,441)	–	–	(2,783,441)
Capital element of lease rentals paid	–	(19,255)	–	(19,255)
Interest expenses paid	(714,027)	(418)	–	(714,445)
Total changes from financing cash flows	(162,394)	(19,673)	256,077	74,010
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	17,927	–	17,927
Early termination of leases	–	(5,243)	–	(5,243)
Interest expenses (note 5(a))	714,027	418	–	714,445
Total other changes	714,027	13,102	–	727,129
At 31 December 2022	18,261,008	13,960	434,431	18,709,399

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities *(Continued)*

	Interest-bearing borrowings RMB'000	Lease liabilities RMB'000	Amounts due to related parties and non-controlling shareholders of subsidiaries RMB'000	Total RMB'000
At 1 January 2021	20,679,582	34,978	138,717	20,853,277
Changes from financial cash flows:				
Advance from related parties	–	–	264,825	264,825
Repayment to related parties	–	–	(225,188)	(225,188)
Proceeds from new bank loans and loans from other financial institutions	11,126,764	–	–	11,126,764
Repayment of bank loans and loans from other financial institutions	(11,364,731)	–	–	(11,364,731)
Proceeds from other loans	3,263,928	–	–	3,263,928
Repayment of other loans	(5,354,675)	–	–	(5,354,675)
Capital element of lease rentals paid	–	(17,384)	–	(17,384)
Interest expenses paid	(754,320)	(1,021)	–	(755,341)
Total changes from financing cash flows	(3,083,034)	(18,405)	39,637	(3,061,802)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	3,024	–	3,024
Interest expenses (note 5(a))	754,320	1,021	–	755,341
Decrease from disposal of subsidiaries	(204,496)	–	–	(204,496)
Decrease from the reclassification of liabilities associated with assets held for sales	(436,997)	(87)	–	(437,084)
Total other changes	112,827	3,958	–	116,785
At 31 December 2021	17,709,375	20,531	178,354	17,908,260

22 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(d) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the followings:

	2022 **RMB'000**	2021 RMB'000
Within operating cash flows	**11,470**	7,549
Within investing cash flow	**10,884**	11,997
Within financing cash flows	**19,673**	18,405
	42,027	37,951

23 TRADE AND OTHER PAYABLES

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

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

23 TRADE AND OTHER PAYABLES *(Continued)*

Note:

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

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

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

(c) Included in other payables and accruals was an amount of approximately RMB1,647,000,000 which represented deposits received from potential buyers for intended disposals of two groups of subsidiaries at 31 December 2021. During the year ended 31 December 2022, the disposal plan with these potential buyers is not successfully concluded and all the balance of deposits received was classified as other loans pursuant to the supplementary agreements.

(d) Assets of the Group pledged to secure the bills payable comprise:

	2022 RMB'000	2021 RMB'000
Pledged bank deposits (note 21)	**10,203,994**	8,841,955
Wealth management products and trust products (note 17)	**385,000**	1,171,189
	10,588,994	10,013,144

24 INTEREST-BEARING BORROWINGS

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

	2022 RMB'000	2021 RMB'000
Current		
Bank loans and loans from other financial institutions (note (a))	**3,973,669**	4,995,616
Other loans (note (b))	**602,340**	696,349
Loans from an entity controlled by Ultimate Controlling Party (as defined in note 33) (note (c))	**20,000**	20,000
Discounted bank acceptance bills (note (d))	**8,355,163**	7,608,183
	12,951,172	13,320,148
Non-current		
Bank loans and loans from other financial institutions (note (a))	**1,408,600**	2,070,636
Other loans (note (b))	**3,901,236**	2,318,591
	5,309,836	4,389,227
	18,261,008	17,709,375

(a) Bank loans and loans from other financial institutions

At 31 December 2022, the bank loans and loans from other financial institutions were repayable as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year or on demand	**3,973,669**	4,995,616
After 1 year but within 2 years	**858,600**	791,913
After 2 years but within 5 years	**459,000**	1,069,223
After 5 years	**91,000**	209,500
	1,408,600	2,070,636
	5,382,269	7,066,252

24 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:

	2022 RMB'000	2021 RMB'000
Secured/guaranteed	**4,357,140**	6,006,676
Unsecured	**1,025,129**	1,059,576
	5,382,269	7,066,252

(ii) At 31 December 2022, certain bank loans and loans from other financial institutions of RMBnil (2021: RMB174,000,000), RMB10,000,000 (2021: RMB10,000,000) and RMB535,123,000 (2021: RMB1,101,768,000) were guaranteed by a third party (a former director), related parties (note 33(c)) and the Group's subsidiaries, respectively. Certain bank loans and loans from other financial institutions of RMB3,812,017,000 (2021: RMB4,720,908,000) are secured by the following assets of the Group:

	2022 RMB'000	2021 RMB'000
Pledged bank deposits (note 21)	**–**	153,000
Trade receivables (note 20)	**–**	24,739
Other receivables (note 20)	**8,000**	8,000
Investment properties (note 10)	**10,341,008**	14,523,041
Properties under development for sale (note 18)	**233,860**	233,695
Completed properties held for sale (note 18)	**174,276**	250,830
Properties, plant and equipment (note 11)	**99,895**	44,895
	10,857,039	15,238,200

(iii) Bank loans and loans from other financial institutions bear interest ranging from 3.65% to 6.50% (2021: 3.82% to 6.50%) per annum as at 31 December 2022.

24 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, subject to the nature of the breach, the Group would be subject to penalty and/or 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 30(b).

At 31 December 2022, bank loans and loans from other financial institutions of the Group of RMB1,323,300,000 (2021: RMB3,289,769,000) were not in compliance with the imposed covenants, of which RMB38,900,000 (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. For the remaining balances of RMB1,284,400,000 as at 31 December 2022 (2021: RMB2,472,515,000), the group entities, as guarantors for other group entities' borrowings from banks and other financial institutions, breached covenants relating to their contractual requirements to notify relevant banks and other financial institutions within a period of time should they provide financial guarantees to other lenders for other parties' borrowings. Pursuant to relevant agreements, those group entities which breached such covenants would be subject to insignificant penalties and the breach will not lead to early demand of repayment of the underlying borrowings.

24 INTEREST-BEARING BORROWINGS *(Continued)*

(b) Other loans

At 31 December 2022, other loans were repayable as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year or on demand	**602,340**	696,349
After 1 year but within 2 years	**1,963,464**	–
After 2 years but within 5 years	**1,937,772**	2,318,591
	4,503,576	3,014,940

(i) As at 31 December 2022 and 2021, other loans were unsecured.

(ii) Other loans bear interest ranging from 6.00% to 12.00% (2021: 4.00% to 12.00%) per annum as at 31 December 2022.

(c) Loans from an entity controlled by Ultimate Controlling Party are unsecured and bear interest of 5% (2021: 5%) per annum as at 31 December 2022.

(d) The Group has discounted bank acceptance bills of RMB8,355,163,000 (2021: RMB7,608,183,000) as at 31 December 2022. 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 recognise the discounted instruments.

25 LEASE LIABILITIES

At the end of the reporting period, the lease liabilities were repayable as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	**10,828**	14,307
After 1 year but within 2 years	**2,343**	6,165
After 2 years but within 5 years	**789**	59
	3,132	6,224
	13,960	20,531

26 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.

(Expressed in Renminbi unless otherwise indicated)

27 EQUITY-SETTLED SHARE-BASED PAYMENTS

(a) 2017 Grant of Share Options

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

The terms and conditions of the grants are as follows:

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

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

(Expressed in Renminbi unless otherwise indicated)

27 EQUITY-SETTLED SHARE-BASED PAYMENTS *(Continued)*

(a) 2017 Grant of Share Options *(Continued)*

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

	2022		2021	
	Weighted average exercise price HK$	Number of options	Weighted average exercise price HK$	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 2022, the remaining contractual life of share options is 5 years (2021: 6 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 HK$3.7179 and the significant inputs into the model are listed as follows:

Share price determined at the measurement date	HK$8.48
Exercise price	HK$8.48
Time to maturity	10 years
Exercise multiple	2.20
Volatility	37.29%
Estimated dividend yields	0%
Risk free rate	1.85%
Pre-vesting exist rate	0%
Post-vesting exist 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 2021, total expense of RMB1,233,000 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 instrument for which service and non-market performance conditions are expected to be satisfied.

27 EQUITY-SETTLED SHARE-BASED PAYMENTS *(Continued)*

(b) 2017 Allotment of Share

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

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

The shares were alloted on 22 December 2017 and movements in the number of shares unreleased for the year ended 31 December 2022 are as follows:

	2022 **RMB'000**	2021 RMB'000
Number of shares granted but unrelased at the beginning and the end of the year	**5,316**	5,316

The total fair value of the alloted shares amounted to RMB59,175,000. The estimated fair value of the shares on the allotment date is determined by reference to the market price of the Company's shares at that date. Total expense of RMB476,000 was reversed in the consolidated statement of profit or loss for the year ended 31 December 2021 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.

(c) 2022 Share Award Scheme

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

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

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2022 RMB'000	2021 RMB'000
Current tax assets:		
PRC CIT	**31,588**	20,564
PRC LAT	**7,220**	8,166
	38,808	28,730
Current tax liabilities:		
PRC CIT	**373,844**	359,480
PRC LAT	**125,000**	142,094
	498,844	501,574

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

(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 2021	33,975	(5,024,030)	18,008	(119,951)	200,867	(26,737)	(4,917,868)
Credited to profit or loss	3,832	75,928	36,633	1,374	69,850	33,778	221,395
Credited to other comprehensive income	–	–	–	–	–	2,175	2,175
Acquisition of subsidiaries	–	5,157	–	–	–	–	5,157
Disposal of subsidiaries	–	39,618	–	–	(2,728)	229	37,119
Transfer to assets held for sale and liabilities associated with assets held for sale (note 36)	–	592,866	–	–	–	–	592,866
At 31 December 2021 and 1 January 2022	**37,807**	**(4,310,461)**	**54,641**	**(118,577)**	**267,989**	**9,445**	**(4,059,156)**
Credited to profit or loss	**(4,617)**	**252,420**	**–**	**–**	**4,186**	**(1,393)**	**250,596**
Transfer to liabilities directly associated with non-current assets classified as held for sale (note 35)	**–**	**10,146**	**–**	**–**	**–**	**–**	**10,146**
At 31 December 2022	**33,190**	**(4,047,895)**	**54,641**	**(118,577)**	**272,175**	**8,052**	**(3,798,414)**

28 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

	2022 RMB'000	2021 RMB'000
Deferred tax assets	**419,367**	405,409
Deferred tax liabilities	**(4,217,781)**	(4,464,565)
	(3,798,414)	(4,059,156)

(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 RMB3,826,893,000 (2021: RMB1,972,375,000) as at 31 December 2022. The directors of the Company 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 RMB3,826,394,000 (2021: RMB1,922,683,000) will expire in 5 to 10 years (2021: 5 to 10 years) under current tax legislation. Remaining cumulative tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

As at 31 December 2022, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB14,086,753,000 (2021: RMB17,847,991,000). Deferred tax liabilities of RMB1,408,675,300 (2021: RMB1,784,799,100) 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.

29 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 closing of the year are set out below:

Company

	Share capital RMB'000 (note 29(b))	Share premium RMB'000 (note 29(c)(i))	Shares held for various incentive plans RMB'000	Equity-settled share-based payment reserve RMB'000 (note 29(c)(iv))	Exchange reserve RMB'000 (note 29(c)(iii))	Accumulated losses RMB'000	Total equity RMB'000
1 January 2022	32,733	4,512,318	(39,029)	51,987	(116,902)	(523,651)	3,917,456
Total comprehensive income/(loss) for the year	–	–	–	–	130,423	(26,392)	104,031
Issue of shares	1,673	247,574	–	–	–	–	249,247
Equity-settled share-based payment for employees	48	7,013	–	–	–	–	7,061
At 31 December 2022	34,454	4,766,905	(39,029)	51,987	13,521	(550,043)	4,277,795

	Share capital RMB'000 (note 29(b))	Share premium RMB'000 (note 29(c)(i))	Shares held for various incentive plans RMB'000	Equity-settled share-based payment reserve RMB'000 (note 29(c)(iv))	Exchange reserve RMB'000 (note 29(c)(iii))	Accumulated losses RMB'000	Total equity RMB'000
1 January 2021	32,733	4,512,318	(39,029)	53,696	(81,539)	(507,570)	3,970,609
Total comprehensive loss for the year	–	–	–	–	(35,363)	(16,081)	(51,444)
Equity-settled share-based payment for employees	–	–	–	(1,709)	–	–	(1,709)
At 31 December 2021	32,733	4,512,318	(39,029)	51,987	(116,902)	(523,651)	3,917,456

29 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Share capital

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

Notes:

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

(ii) During the year ended 31 December 2022, a total of 16,680,000 awarded shares were issued and allotted to certain connected grantees and selected employees of the Group. Details is set out in note 27(c).

29 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(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.

(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.

29 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Reserves *(Continued)*

(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.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debts 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.

During 2022, the Group's strategy, which was unchanged from 2021, 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 debts.

29 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Capital management *(Continued)*

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	2022 RMB'000	2021 RMB'000
Current liabilities:			
Interest-bearing borrowings	24	**12,951,172**	13,320,148
Lease liabilities	25	**10,828**	14,307
Non-current liabilities:			
Interest-bearing borrowings	24	**5,309,836**	4,389,227
Lease liabilities	25	**3,132**	6,224
Total debts		**18,274,968**	17,729,906
Less: Pledged bank deposits	21	**(10,255,721)**	(9,045,655)
Cash and cash equivalents	22	**(1,341,318)**	(1,095,766)
Adjusted net debts		**6,677,929**	7,588,485
Total equity attributable to equity shareholders of the Company		**13,752,058**	16,454,723
Adjusted net debt-to-capital ratio		**48.56%**	46.12%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(e) Dividends

No dividend was paid or proposed for equity shareholders of the Company during 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

30 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 (i) trade receivables and contract assets, (ii) loans and factoring receivables, (iii) other receivables and (iv) amounts due from related parties and non-controlling interests. The Group's exposure to credit risk arising from cash and cash equivalents, 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 32, 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 32.

(i) Trade receivables and contract assets

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0-90 days from the date of billing. Debtors with balances that are more than 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 relation to trade and other receivables, with exposure spread over a number of counterparties and customers.

The Group measures loss allowances for trade receivables and contract assets at an amount 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.

The trade receivables balance include trade debtors, bills receivable and rental receivables.

Notes to

the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(i) Trade receivables and contract assets *(Continued)*

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

	2022						
	Expected loss rate %	Trade receivables RMB'000	Contract assets RMB'000	Gross carrying amount RMB'000	Trade receivables — loss allowance RMB'000	Contract assets — loss allowance RMB'000	Total loss allowance RMB'000
Current or less than one year past due	1%	8,189,481	–	8,189,481	109,071	–	109,071
One to two years past due	36%	382,952	10,094	393,046	138,176	556	138,732
Two to three years past due	78%	189,115	22,145	211,260	162,553	1,265	163,818
Over three years past due	100%	371,280	–	371,280	371,280	–	371,280
		9,132,828	32,239	9,165,067	781,080	1,821	782,901

	2021						
	Expected loss rate %	Trade receivables RMB'000	Contract assets RMB'000	Gross carrying amount RMB'000	Trade receivables — loss allowance RMB'000	Contract assets — loss allowance RMB'000	Total loss allowance RMB'000
Current or less than one year past due	5%	6,440,470	9,736	6,450,206	353,807	556	354,363
One to two years past due	34%	141,084	22,145	163,229	54,881	1,265	56,146
Two to three years past due	80%	133,964	–	133,964	107,172	–	107,172
Over three years past due	100%	259,380	–	259,380	259,380	–	259,380
		6,974,898	31,881	7,006,779	775,240	1,821	777,061

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.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(i) Trade receivables and contract assets *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade debtors and bills receivable, rental receivables, and contract assets:

	Trade debtors and bills receivable RMB'000	Rental receivables RMB'000	Contract assets RMB'000	Gross amount RMB'000
Balance at 1 January 2022	**96,698**	**678,542**	**1,821**	**777,061**
Amounts written off during the year	**(3,601)**	**(6,956)**	**–**	**(10,557)**
Impairment losses recognised during the year (note 5(c))	**23,898**	**(12,681)**	**–**	**11,217**
Transfer from assets held for sale	**2,913**	**2,267**	**–**	**5,180**
Balance at 31 December 2022	**119,908**	**661,172**	**1,821**	**782,901**

	Trade debtors and bills receivable RMB'000	Rental receivables RMB'000	Contract assets RMB'000	Gross amount RMB'000
Balance at 1 January 2021	125,527	457,613	–	583,140
Amounts written off during the year	(20,542)	(6,492)	–	(27,034)
Impairment losses recognised during the year (note 5(c))	27,621	233,122	1,821	262,564
Disposals arising from disposal of subsidiaries	(4,343)	–	–	(4,343)
Transfer to assets held for sale	(31,565)	(5,701)	–	(37,266)
Balance at 31 December 2021	96,698	678,542	1,821	777,061

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(ii) 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.

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;

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(ii) Loans and factoring receivables *(Continued)*

Measurement of ECL (Continued)

Significant increase in credit risk *(Continued)*

— 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.

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.

Qualitative criterion

The financial asset is more than 90 days past due.

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;

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(ii) Loans and factoring receivables *(Continued)*

Measurement of ECL (Continued)

Qualitative criterion *(Continued)*

— 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 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 end of the reporting period 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. 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.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(ii) Loans and factoring receivables *(Continued)*

Measurement of ECL (Continued)

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 identifies critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including gross domestic product, increase in RMB loans, producer price index, etc.

There have been no significant changes in the valuation techniques and key assumptions during the reporting period.

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 32.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(ii) Loans and factoring receivables *(Continued)*

Measurement of ECL (Continued)

The credit quality of financial assets is analysed as follows:

(a) Analysed by nature

	2022 RMB'000	2021 RMB'000
Loans and factoring receivables		
Corporate loans	**817,076**	705,722
Corporate factoring	**138,890**	112,911
Personal business loans	**17,533**	19,087
Gross loans and factoring receivables	**973,499**	837,720
Accrued interest	**66,165**	66,303
Less: Allowances for impairment losses on loans and factoring receivables	**(73,292)**	(174,326)
Net loans and factoring receivables	**966,372**	729,697

(b) Analysed by industry sector

	2022		
	Amount RMB'000	Percentage %	Loans and factoring receivables secured by collaterals RMB'000
Commodities trading	**903,064**	**93**	**903,064**
Others	**52,902**	**5**	**40,274**
Sub-total of corporate loans and factoring	**955,966**	**98**	**943,338**
Personal business loans	**17,533**	**2**	**17,533**
Gross loans and factoring receivables	**973,499**	**100**	**960,871**

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(ii) Loans and factoring receivables *(Continued)*

Measurement of ECL (Continued)

The credit quality of financial assets is analysed as follows: *(Continued)*

(b) Analysed by industry sector (continued)

	2021		
	Amount RMB'000	Percentage %	Loans and factoring receivables secured by collaterals RMB'000
Commodities trading	730,421	87%	730,421
Others	88,212	11%	64,854
Sub-total of corporate loans and factoring	818,633	98%	795,275
Personal business loans	19,087	2%	19,087
Gross loans and factoring receivables	837,720	100%	814,362

(c) Analysed by type of collateral

	2022 RMB'000	2021 RMB'000
Collateralised	**960,871**	814,362
Unsecured	**12,628**	23,358
Gross loans and factoring receivables	**973,499**	837,720
Accrued interest	**66,165**	66,303
Less: Allowances for impairment losses on loans and factoring receivables	**(73,292)**	(174,326)
Net loans and factoring receivables	**966,372**	729,697

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(ii) Loans and factoring receivables *(Continued)*

Measurement of ECL (Continued)

The credit quality of financial assets is analysed as follows: *(Continued)*

(d) Overdue loans and factoring receivables analysed by overdue period

	2022			
	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	Total RMB'000
Collateralised	**–**	**4,832**	**53,295**	**58,127**
As a percentage of gross loans and factoring receivables	**–**	**0.50%**	**5.47%**	**5.97%**

	2021			
	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	Total RMB'000
Collateralised	227	48,222	2,896	51,345
As a percentage of gross loans and factoring receivables	0.03%	5.76%	0.34%	6.13%

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.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(ii) Loans and factoring receivables *(Continued)*

Measurement of ECL (Continued)

The credit quality of financial assets is analysed as follows: *(Continued)*

(e) Allowances for impairment losses

	2022			
	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	771,301	131,441	70,757	973,499
Accrued interest receivable	4,696	60,780	689	66,165
Less: Allowances for impairment losses	(1,478)	(368)	(71,446)	(73,292)
Carrying amount of loans and factoring receivables	774,519	191,853	–	966,372

	2021			
	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	508,386	161,311	168,023	837,720
Accrued interest receivable	50,332	15,316	655	66,303
Less: Allowances for impairment losses	(1,102)	(16,276)	(156,948)	(174,326)
Carrying amount of loans and factoring receivables	557,616	160,351	11,730	729,697

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(ii) Loans and factoring receivables *(Continued)*

Measurement of ECL (Continued)

The credit quality of financial assets is analysed as follows: *(Continued)*

(f) Movements of allowances for impairment losses

	2022			
	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	**1,102**	**16,276**	**156,948**	**174,326**
Written off for the year	**–**	**–**	**(58,533)**	**(58,533)**
Transferred				
— to lifetime ECL not credit-impaired	**(635)**	**635**	**–**	**–**
— to lifetime ECL credit-impaired	**–**	**(10,944)**	**10,944**	**–**
Charged for the year	**1,011**	**–**	**–**	**1,011**
Recoveries	**–**	**(5,599)**	**(37,913)**	**(43,512)**
As at 31 December	**1,478**	**368**	**71,446**	**73,292**

	2021			
	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	1,041	368	179,673	181,082
Transferred				
— to lifetime ECL not credit-impaired	(938)	938	–	–
— to lifetime ECL credit-impaired	–	(337)	337	–
Charged for the year	1,035	15,633	13,822	30,490
Recoveries	(36)	(326)	(36,884)	(37,246)
As at 31 December	1,102	16,276	156,948	174,326

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(ii) Loans and factoring receivables *(Continued)*

Measurement of ECL (Continued)

The credit quality of financial assets is analysed as follows: *(Continued)*

(g) The credit quality of financial assets is analysed as follows:

	2022 RMB'000	2021 RMB'000
Balance of financial assets that are assessed for expected credit losses over the next 12 months — Neither overdue nor credit-impaired	**771,301**	508,386
Balance of financial assets that are not credit impaired and assessed for lifetime expected credit losses — Neither overdue nor credit-impaired	**131,441**	161,311
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses — Overdue and credit-impaired	**70,757**	168,023
Accrued interest	**66,165**	66,303
Less: Allowances for impairment losses	**(73,292)**	(174,326)
Total	**966,372**	729,697

The fair value of collaterals held against loans and factoring receivables credit-impaired as at 31 December 2022 and 2021 amounted to RMB1,072,735,000 and RMB109,485,000 respectively. The collaterals mainly include borrowers' inventories, properties or unlisted shares. 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.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

(iii) Other receivables

The Group measures loss allowances for other receivables at an amount equal to lifetime ECLs, which is calculated on an individual debtors basis, loss rates are assigned to the debtors accounts with reference to various factors, including the Group's historical credit loss experience, the number of days past due, adjusted for forward-looking factors (i.e. forecast GDP) and specific consideration (such as credit rating and reputation etc.) to the debtors and the economic environment, which may impact the customers' ability to repay the outstanding balances in order to estimate the ECLs. Management assessed the expected losses on other debtors individually.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the other debtors are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date.

	2022		2021	
	Gross amount RMB'000	**Loss allowance RMB'000**	Gross amount RMB'000	Loss allowance RMB'000
Current or less than one year past due	**1,333,456**	**53,227**	665,830	18,610
One to two years past due	**109,343**	**20,128**	225,400	29,129
Two to three years past due	**6,743**	**6,171**	23,879	16,832
Over three years past due	**23,728**	**23,610**	19,780	19,780
Other receivables	**1,473,270**	**103,136**	934,889	84,351

Movements in the loss allowance account in respect of other receivables during the year are as follows:

	2022 RMB'000	2021 RMB'000
Balance at 1 January	**84,351**	62,812
Amounts written off during the year	**(38,887)**	–
Impairment losses recognised during the year (note 5(c))	**57,672**	21,605
Disposals arising from disposal of subsidiaries	**–**	(5)
Transfer to assets held for sale	**–**	(61)
Balance at 31 December	**103,136**	84,351

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

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

The Group determines the expected credit losses of amounts due from related parties and non-controlling shareholders of subsidiaries 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 end of the reporting period and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The Group measures the loss allowance equal to 12-month ECLs, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECLs. The assessment of whether lifetime ECLs should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition. 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.

Movements in the loss allowance account in respect of amounts due from related parties and non-controlling shareholders of subsidiaries during the year are as follows:

	Amounts due from related parties and non-controlling shareholders of subsidiaries RMB'000
Balance at 1 January 2021	–
Impairment losses recognised during the year (note 5(c))	29,236
Balance at 31 December 2021, 1 January 2022 and 31 December 2022	29,236

30 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:

Liquidity table

	2022 Contractual undiscounted cash outflows					
	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	Carrying amount RMB'000
Non-derivatives:						
Interest-bearing borrowings (excluding discounted bank acceptance bills)	4,865,084	3,147,338	2,411,484	91,000	10,514,906	9,905,846
Trade and other payables (excluding receipts in advance)	16,140,104	–	–	–	16,140,104	16,140,104
Lease liabilities	11,196	2,454	827	–	14,477	13,960
Amount due to related parties and non-controlling shareholders of subsidiaries	434,431	–	–	–	434,431	434,431
	21,450,815	3,149,792	2,412,311	91,000	27,103,918	26,494,341
Derivatives settled net:						
Forward contracts	77,380	–	–	–	77,380	77,380
Financial guarantees issue maximum amount	–	–	519,817	–	519,817	–

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

(i) *(Continued)*

Liquidity table (Continued)

	2021 Contractual undiscounted cash outflows					
	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	Carrying amount RMB'000
Non-derivatives:						
Interest-bearing borrowings (excluding discounted bank acceptance bills)	6,559,434	2,453,092	1,626,653	221,764	10,860,943	10,101,192
Trade and other payables (excluding receipts in advance)	13,575,684	–	–	–	13,575,684	13,575,684
Lease liabilities	14,790	6,284	62	–	21,136	20,531
Amount due to related parties and non-controlling shareholders of subsidiaries	178,354	–	–	–	178,354	178,354
	20,328,262	2,459,376	1,626,715	221,764	24,636,117	23,875,761
Derivatives settled net:						
Forward contracts	95,149	–	–	–	95,149	95,149
Financial guarantees issue maximum amount	–	–	309,324	170,000	479,324	–

(ii) **Sensitivity analysis**

Bank loans and loans from other financial institutions of RMB3,325,017,000 (2021: RMB4,070,471,000) 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 RMB10,749,144,000 at 31 December 2022 (2021: RMB15,007,566,000). 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.

30 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 24 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 management of the Group, details the interest rate risk profile of the Group's borrowings at the end of the reporting period.

	Notional amount	
	2022 **RMB'000**	2021 RMB'000
Fixed rate borrowings:		
Lease liabilities	**13,960**	20,531
Interest-bearing borrowings	**16,653,761**	15,739,156
	16,667,721	15,759,687
Variable rate borrowings:		
Interest-bearing borrowings	**1,607,247**	1,970,219
Total borrowings	**18,274,968**	17,729,906
Fixed rate borrowings as a percentage of total borrowings	**91%**	89%

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

At 31 December 2022, 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 RMB6,027,000 (2021: increase/decrease the Group's loss after tax and decrease/increase retained profits by approximately RMB7,388,000) in response to the general increase/decrease in interest rates, which has not taken into account of interest capitalisation to property for sale.

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 2021.

(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.

Management does not expect that there will be any significant currency risk for the Group for the years ended 31 December 2022 and 2021.

(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 17).

The Group's listed investments are listed on the Stock Exchange of Hong Kong and New York Stock Exchange. 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.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Equity price risk *(Continued)*

At 31 December 2022, 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:

	2022			2021		
	%	Effect on loss after tax RMB'000	Effect on retained profits RMB'000	%	Effect on loss after tax RMB'000	Effect on retained profits RMB'000
Changes in the relevant equity price risk variable						
(Decrease)/increase	**10%**	**(8,424)**	**8,424**	10%	(8,643)	8,643
Increase/(decrease)	**(10%)**	**8,424**	**(8,424)**	(10%)	8,643	(8,643)

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 2021.

30 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 valuation: 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 valuation: 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 markets data are not available
- Level 3 valuation: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into			Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement								
Assets:								
— Listed equity securities	**60,413**	**60,413**	**-**	**-**	59,557	59,557	–	–
— Wealth management products and trust products	**448,899**	**-**	**448,899**	**-**	1,244,501	–	1,244,501	–
— Forward contracts	**151,656**	**70,249**	**81,407**	**-**	124,359	44,376	79,983	–
— Contingent consideration	**23,824**	**-**	**23,824**	**-**	25,000	–	–	25,000
— Equity investment at fair value through other comprehensive income	**-**	**-**	**-**	**-**	–	–	–	–
Liabilities								
— Forward contracts	**77,380**	**-**	**77,380**	**-**	95,149	–	95,149	–

During the years ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2.

30 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)*

Fair value hierarchy (Continued)

As at 31 December 2021, contingent consideration is generated as a result of part of the consideration of the acquisition which depends on the post-acquisition financial performance of Shenzhen Sinoagri. It was measured based with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy. As at 31 December 2022, no more consideration shares shall be released for the performance guarantee. However, the Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the contingent consideration, hence it was classified as Level 2 of the fair value hierarchy.

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

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

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

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)
Convertible redeemable preference shares	Option-pricing model	Financial forecasts	Not applicable

30 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:

	2022 RMB'000	2021 RMB'000
Contingent consideration		
Balance at 1 January	**25,000**	172,851
Net change in fair value (note 4)	**(1,176)**	(54,746)
Transferred out at Level 3	**(23,824)**	–
Settlement	**–**	(93,105)
Balance at 31 December	**–**	25,000

(ii) Financial 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 2022 and 2021.

(g) Categorises of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets:		
— at amortised cost	**26,063,176**	18,696,899
— at FVTPL	**684,792**	1,453,417
Financial liabilities:		
— at amortised cost	**34,805,328**	31,483,944
— at FVTPL	**77,380**	95,149

31 COMMITMENTS

	2022 RMB'000	2021 RMB'000
Contracted but not provided for in the consolidated financial statements:		
— Capital expenditure in respect of investment properties under development	**102,152**	79,686
— Expenditure in respect of properties under development	**374,993**	362,717
	477,145	442,403

32 GUARANTEES

	2022 RMB'000	2021 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (a))	**188,417**	309,324
Other guarantees (note (b))	**331,400**	170,000
Total maximum guarantees issued	**519,817**	479,324

Notes:

(a) 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.

(b) For other financial guarantees, the aggregate amount of outstanding financial guarantees that the Group could be required to pay amounted to RMB331,400,000 as at 31 December 2022 (2021: RMB170,000,000). At the end of the reporting period, management has performed impairment assessment by measuring the loss allowance for financial guarantee contracts issued by the Group at an amount equal to 12-month ECL, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, no loss allowance was recognised in the profit or loss as the ECL is assessed to be insignificant.

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.

33 MATERIAL RELATED PARTY TRANSACTIONS

Ultimate Controlling Party refer to Mr. Yan Zhi, who is the co-chairman, co-chief executive officer and an executive director of the Group. Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

(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:

	2022 **RMB'000**	2021 RMB'000
Wages, salaries and other benefits	**22,109**	12,680
Contributions to defined benefit retirement plans	**617**	174
Equity-settled share-based payment expenses recognised/(reversed)	**2,821**	(170)
	25,547	12,684

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

33 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2022 RMB'000	2021 RMB'000
(i) Advances from related parties and non-controlling shareholders of subsidiaries		
— Ultimate Controlling Party	**–**	32,313
— Associates	**677,116**	146,488
— Joint ventures	**11**	5,765
— Entities controlled by Ultimate Controlling Party	**290,143**	71,695
— Key management personnel	**3,312**	6,346
— Non-controlling shareholders of subsidiaries	**2**	–
— Entities significantly influenced by Ultimate Controlling Party	**19,866**	2,218
(ii) Repayments to related parties and non-controlling shareholders of subsidiaries		
— Associates	**623,146**	1,500
— Joint ventures	**–**	29
— Entities controlled by Ultimate Controlling Party	**91,228**	51,278
— Ultimate Controlling Party	**–**	142,222
— Key management personnel	**3,961**	5,697
— Non-controlling shareholders of subsidiaries	**5,347**	22,039
— Entities significantly influenced by Ultimate Controlling Party	**10,691**	2,423
(iii) Advances to related parties and non-controlling shareholders of subsidiaries		
— Associates	**408,082**	336,643
— Joint ventures	**–**	265,759
— Entities controlled by Ultimate Controlling Party	**17,572**	8,076
— Entities controlled by non-controlling shareholders of subsidiaries	**–**	83
— Key management personnel	**45,015**	1,570
— Non-controlling shareholders of subsidiaries	**160**	–
— Entities significantly influenced by Ultimate Controlling Party	**1,924**	133
(iv) Repayments from related parties and non-controlling shareholders of subsidiaries		
— Associates	**321,623**	336,812
— Joint ventures	**–**	171,261
— Entities controlled by Ultimate Controlling Party	**18,071**	2,740
— Entities controlled by non-controlling shareholders of subsidiaries	**–**	3,461
— Non-controlling shareholders of subsidiaries	**124**	–
— Entities significantly influenced by Ultimate Controlling Party	**278**	57

33 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

		2022 RMB'000	2021 RMB'000
(v)	Rental income		
	— Entities controlled by Ultimate Controlling Party	**142**	3,313
	— Entities under common control of Ultimate Controlling Party	**192**	907
(vi)	Place deposits in		
	— A bank significantly influenced by Ultimate Controlling Party	**2,482,800**	24,813,577
	Withdraw deposits from		
	— A bank significantly influenced by Ultimate Controlling Party	**(2,499,018)**	(24,883,147)
(vii)	Sales of commodities to related parties and non-controlling shareholders of subsidiaries		
	— Associates	**3,649**	198,628
	— Entities under common control of Ultimate Controlling Party	**853**	37
	— Entities controlled by non-controlling interests of subsidiaries	**–**	2,944
	— Non-controlling shareholders of subsidiaries	**1,071**	–
(viii)	Purchase of commodities from related parties and non-controlling shareholders of subsidiaries		
	— Associates	**88,998**	90,623
	— Entities controlled by non-controlling interests of subsidiaries	**450**	3,368
	— Entities under common control of Ultimate Controlling Party	**5,559**	–
(ix)	Interest income received from related parties		
	— Associates	**9,341**	30,876
	— Joint ventures	**2,215**	2,817
(x)	Logistics and marketing service sold to related parties		
	— Associates	**229**	–
(xi)	Disposal of associate		
	— Entities controlled by Ultimate Controlling Party	**–**	380,279

33 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2022 RMB'000	2021 RMB'000
Trade and other receivables (Note 20(b))		
— Associates (note (i))	**30,152**	12,157
— Entities significantly influenced by Ultimate Controlling Party	**5,607**	–
— Entities controlled by non-controlling interests of subsidiaries	**5,000**	5,018
Cash and cash equivalents (Note 22)		
— Entity significantly influenced by Ultimate Controlling Party	**17,431**	66,285
Interest-bearing borrowings (Note 24)		
— Joint ventures (note (ii))	**44,887**	–
— Entities controlled by Ultimate Controlling Party	**20,000**	20,000
Guarantees (Note 32)		
— Associates (note (iii))	**–**	10,000

Notes:

(i) Loans advanced to associates as at 31 December 2022 bear interest of 2% (2021: 8.4%) per annum and are secured by agriculture products.

(ii) Loan advanced to joint ventures as at 31 December 2022 bear interest of 8.4% (2021: Nil) per annum.

(iii) No guaranteed income was charged by related parties for the guarantee of loans.

33 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2022 RMB'000	2021 RMB'000
Amounts due from related parties and non-controlling shareholders of subsidiaries		
— Associates	**553,541**	453,205
— Joint ventures	**–**	23,959
— Non-controlling shareholders of subsidiaries	**49,242**	–
— Entities controlled by Ultimate Controlling Party	**28,722**	21,164
— Key management personnel	**1,600**	1,478
— Entities controlled by non-controlling shareholders of subsidiaries	**4,999**	7,351
— Entities significantly influenced by Ultimate Controlling Party	**1,716**	106
— Ultimate Controlling Party	**100**	–
	639,920	507,263

Amounts due from related parties and non-controlling shareholders of subsidiaries are unsecured and repayable on demand. As at 31 December 2022, amount due from an associate of RMB553,541,000 (2021: RMB454,982,000) bears interest at 8.40% (2021: 8.40%) per annum, and amounts due from joint ventures of RMBnil (2021: RMB1,902,000) bear interest at 5.40% (2021: 5.40%) per annum. All the other amounts due from related parties and non-controlling shareholders of subsidiaries are interest-free.

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

	2022 RMB'000	2021 RMB'000
Amounts due to related parties and non-controlling shareholders of subsidiaries		
— Associates	**516**	20,573
— A joint venture	**–**	17,896
— Non-controlling shareholders of subsidiaries	**482**	943
— Entities controlled by Ultimate Controlling Party	**419,904**	57,416
— Ultimate Controlling Party	**3,900**	3,900
— Immediate Parent	**–**	71,637
— Key management personnel	**251**	900
— Entities significantly influenced by Ultimate Controlling Party	**9,378**	5,089
	434,431	178,354

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

34 DISPOSAL OF SUBSIDIARIES

(a) For the year ended 31 December 2022

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

	RMB'000
Consideration, satisfied in cash	**1,001,000**
Less: net assets disposed of	**(2,424,797)**
Loss on disposal of subsidiaries	**(1,423,797)**
Satisfied by:	
Cash consideration	**948,200**
Consideration receivable	**52,800**
	1,001,000
An analysis of the net inflow arising from disposal:	
Cash consideration received	**948,200**
Less: cash and cash equivalents disposed of	**(388)**
	947,812

34 DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) For the year ended 31 December 2021

(i) Disposal of entire equity interests of 卓爾發展(長沙)有限公司 ("卓爾長沙")

On 22 October 2021, the Group entered into a disposal agreement with 南京卓奧企業管理有限公司 in relation to the disposal of entire equity interest of 卓爾長沙 at a consideration of RMB238,038,000. The disposal was completed on 30 November 2021. The Group recognised a net gain of RMB82,509,000 on the disposal, which is calculated as follows:

	RMB'000
Consideration, satisfied in cash	238,038
Less: net assets disposed of	(194,411)
Add: non-controlling interests	38,882
Gain on disposal of a subsidiary	82,509

An analysis of the net inflow arising from disposal:

Cash consideration received	238,038
Less: cash and cash equivalents disposed of	(37,748)
	200,290

34 DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) For the year ended 31 December 2021 *(Continued)*

(ii) Disposal of entire equity interests of 小雪冷鏈(武漢)物流有限公司 ("小雪冷鏈")

In August 2021, the Group entered into a disposal agreement with 武漢卓爾創業投資有限公司 in relation to the disposal of entire equity interest of 小雪冷鏈 at a consideration of RMB1. 小雪冷鏈 is principally engaged in supply chain management and trading business. The disposal was completed on 22 October 2021. The Group recognised a net gain of RMB6,902,000 on the disposal, which is calculated as follows:

	RMB'000
Consideration, satisfied in cash	–
Less: net liabilities disposed of	7,265
Add: non-controlling interests	(363)
Gain on disposal of a subsidiary	6,902

An analysis of the net outflow arising from disposal:

Cash consideration received	–
Less: cash and cash equivalents disposed of	(2,103)
	(2,103)

34 DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) For the year ended 31 December 2021 *(Continued)*

(iii) Disposal of entire equity interests of 武漢卓爾數字傳媒科技有限公司 ("數字傳媒")

On 20 May 2021, the Group entered into a disposal agreement with 武漢卓爾創業投資有限公司, which is 99.95% held by Mr. Yan Zhi, in relation to disposal of entire equity interest of 數字傳媒 at a consideration of RMB60,034,300. 數字傳媒 is principally engaged in provision of information technology services. The disposal was completed on 23 June 2021. The Group recognised a net gain of RMB1,172,000 on the disposal, which is calculated as follows:

	RMB'000
Consideration, satisfied in cash	60,034
Less: net assets disposed of	(67,672)
Add: non-controlling interests	8,810
Gain on disposal of a subsidiary	1,172

An analysis of the net inflow arising from disposal:

Cash consideration received	60,034
Less: cash and cash equivalents disposed of	(39,992)
	20,042

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

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

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

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

Note: During the year ended 31 December 2022, the investment properties classified as held for sale were revalued and a net valuation loss of RMB5,251,000 was recognised in the profit or loss.

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

36 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2021, management of the Company intended to dispose of two groups of subsidiaries whose principal assets were investment properties. As at 31 December 2021, the board of directors had identified potential buyers and entered into letters of intent on acquisition of equity interests with these potential buyers. The directors of the Company considered that the disposal of these two groups of subsidiaries was highly probable as at 31 December 2021 and could be completed within one year. The Group received deposits from these potential buyers of approximately RMB1,647,000,000 during the year ended 31 December 2021 and recorded such in other payables and accruals (see note 23). During the year ended 31 December 2022, the Group completed the disposal of one subsidiary in which the details of the disposal are disclosed in note 34(a) while the Group identified another buyer to dispose of certain principal assets of the another subsidiary of which the details of are disclosed in note 35.

The following assets and liabilities relating to these disposal groups under the property development and related services segment had been classified as assets of disposal group held for sale and liabilities of disposal group held for sale, respectively, in the consolidated statement of financial position as at 31 December 2021 and did not constitute a discontinued operation as it did not represent a major line of business or geographical area of operation.

	2021 RMB'000
Interests in associates	44,179
Investment properties	4,774,927
Property, plant and equipment	5,915
Deferred tax assets	53,559
Inventories	635,890
Trade and other receivables	168,139
Cash and cash equivalents	269
Assets of disposal group held for sale	5,682,878
Contract liabilities	2,902
Trade and other payables	1,254,992
Deferred tax liabilities	646,425
Lease liabilities	87
Interest-bearing borrowings	436,997
Current taxation	63,364
Liabilities of disposal group held for sale	2,404,767

No impairment loss was recognised on reclassification of the above assets as held for sale as at 31 December 2021 as the directors of the Company expected that the fair value less cost to sell was higher than the carrying amount of these assets and liabilities.

37 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Interests in subsidiaries	14	**3,170,515**	3,168,081
Property, plant and equipment		**5,274**	1,270
Amounts due from subsidiaries		**949,790**	592,516
		4,125,579	3,761,867
Current assets			
Other receivables and prepayments		**563,545**	498,062
Cash and cash equivalents		**872**	793
		564,417	498,855
Current liabilities			
Other payables		**407,011**	341,918
Lease liabilities		**2,165**	1,348
		409,176	343,266
Net current assets		**155,241**	155,589
Total assets less current liabilities		**4,280,820**	3,917,456
Non-current liabilities			
Lease liabilities		**3,025**	–
NET ASSETS		**4,277,795**	3,917,456
CAPITAL AND RESERVES	29		
Share capital		**34,454**	32,733
Reserves		**4,243,341**	3,884,723
TOTAL EQUITY		**4,277,795**	3,917,456

38 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2022, the directors of the Company 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 the BVI, and Mr. Yan Zhi, respectively. Zall Development Investment does not produce financial statements available for public use.

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm to the current year's presentation.

Major
Properties Information

As at 31 December 2022

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-2023	Commercial	200,386	229,419	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-2025	Commercial	394,882	618,883	100%	1%
3	Portion of Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Dec-2022	Commercial	46,232	203,291	100%	90%

Major
Properties Information (continued)

As at 31 December 2022

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	258,561	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	21,533	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	42,565	100%
4	Zall Life City – Hupan Haoting Residences (Phase I & II)	Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Residential	83,458	100%
5	Portion of Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Shops	2,638	100%

Major
Properties Information (continued)

As at 31 December 2022

THE GROUP'S PROPERTY PORTFOLIO SUMMARY — MAJOR PROPERTIES HELD FOR INVESTMENT

	Project	Location	Existing/ intended use	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	Commercial	Completed	Medium	1,566,165	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	Commercial	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	Commercial	Completed	Medium	217,533	100%
4	North Hankou Logistics Center	Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Logistics	Completed	Medium	24,865	100%
5	North Hankou Logistics Center	Jiangjunlu street, Dongxihu District, Wuhan, Hubei Province, PRC	Logistics	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	Office	Completed	Medium	81,399	100%

Major Properties Information (continued)

As at 31 December 2022

	Project	Location	Existing/ intended use	Stage of completion	Lease Term of land	Approximate gross floor area (sq.m.)	Group's interest (%)
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	Office	Completed	Medium	9,315	100%
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	Office	Completed	Medium	39,732	100%
9	Portion of Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Commercial	Completed	Medium	63,051	100%
10	Portion of Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Commercial	Under development	Medium	25,714	100%
11	Portion of No.3 Warehouse Centre	Liudian and Shekou Village, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan City, Hubei Province, the PRC	Logistics	Under development	Medium	132,656	100%
12	H land plots	Liudian and Shekou Villages, Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan City, Hubei Province, the PRC	Commercial	Under development	Medium	119,054	100%

Financial Summary

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Result					
Revenue	**110,906,215**	104,551,813	72,769,426	72,898,756	56,116,072
Gross Profit	**587,425**	885,755	1,233,731	1,224,911	1,559,600
Net valuation (loss)/gain on investment properties	**(933,998)**	(240,711)	(420,879)	2,533,075	3,865,192
(Loss)/profit for the year attributable to:					
Equity shareholders of the Company	**(3,040,264)**	(1,326,854)	(1,260,450)	92,797	1,371,304
Non-controlling interests	**59,073**	(123,272)	(88,788)	(35,278)	(97,397)
(Loss)/profit for the year	**(2,981,191)**	(1,450,126)	(1,349,238)	57,519	1,273,907
Financial position					
Total assets	**60,359,070**	59,275,001	62,127,930	61,489,239	53,081,118
Total liabilities	**46,210,964**	42,495,660	43,793,474	41,866,765	33,472,305
Non-controlling interests	**396,048**	324,618	464,327	543,480	829,221
Total equity attributable to equity shareholders of the Company	**13,752,058**	16,454,723	17,870,129	19,078,994	18,779,592
Total Equity	**14,148,106**	16,779,341	18,334,456	19,622,474	19,608,813