ZALL 卓尔智联

Zall Smart Commerce Group Ltd.

卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "**Board**") of directors (the "**Directors**") of Zall Smart Commerce Group Ltd. (the "**Company**" or "**Zall Smart**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023, together with the unaudited comparative figures for the preceding period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*3(a)*	**54,931,545**	49,930,636
Cost of sales		**(54,532,092)**	(49,640,259)
Gross profit		**399,453**	290,377
Other net (loss)/income	*4*	**(36,541)**	101,614
Selling and distribution expenses		**(104,242)**	(88,472)
Administrative and other expenses		**(210,425)**	(248,071)
Impairment loss under expected credit loss model, net of reversal		**50,430**	130,481
Gain from operations before changes in fair value of investment properties		**98,675**	185,929
Net valuation gain/(loss) on investment properties	*8*	**112,410**	(14,872)

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Profit from operations		**211,085**	171,057
Finance income	*5(a)*	**159,746**	168,632
Finance costs	*5(a)*	**(313,245)**	(295,183)
Share of net profits of associates		**831**	5,252
Share of net losses of joint ventures		**(550)**	(358)
Profit before taxation	*5*	**57,867**	49,400
Income tax	*6*	**(20,715)**	(18,398)
Profit for the period		**37,152**	31,002
Attributable to:			
Equity shareholders of the Company		**22,364**	78
Non-controlling interests		**14,788**	30,924
Profit for the period		**37,152**	31,002
Earnings per share (RMB cents)			
Basic	*7(a)*	**0.18**	0.00
Diluted	*7(b)*	**0.18**	0.00

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	**As at 30 June 2023** *RMB'000*	As at 31 December 2022 *RMB'000*
Non-current assets			
Investment properties	*8*	**23,674,456**	23,475,664
Property, plant and equipment	*9*	**331,072**	291,524
Intangible assets		**438,221**	444,993
Goodwill		**251,498**	251,498
Interests in associates		**225,288**	194,457
Interests in joint ventures		**18,680**	19,230
Contract assets		**30,418**	30,418
Deferred tax assets		**442,811**	419,367
		25,412,444	25,127,151
Current assets			
Financial assets at fair value through profit or loss		**767,931**	684,792
Inventories		**5,200,853**	4,508,221
Prepaid taxes		**26,745**	38,808
Trade and other receivables	*10*	**16,284,918**	17,383,123
Amounts due from related parties		**804,257**	639,920
Pledged bank deposits		**9,746,697**	10,255,721
Cash and cash equivalents		**1,491,709**	1,341,318
		34,323,110	34,851,903
Non-current assets classified as held for sale		**374,334**	380,016
		34,697,444	35,231,919

	Note	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Current liabilities			
Financial liabilities at fair value through profit or loss		**388,504**	77,380
Trade and other payables	*11*	**16,377,672**	16,208,114
Contract liabilities		**8,398,613**	6,453,504
Lease liabilities		**6,175**	10,828
Amounts due to related parties		**767,362**	434,431
Interest-bearing borrowings	*12*	**10,752,190**	12,951,172
Current taxation		**500,065**	498,844
		37,190,581	36,634,273
Liabilities associated with assets held for sale		**39,052**	39,837
		37,229,633	36,674,110
Net current liabilities		**(2,532,189)**	(1,442,191)
Total assets less current liabilities		**22,880,255**	23,684,960
Non-current liabilities			
Interest-bearing borrowings	*12*	**4,418,347**	5,309,836
Deferred income		**5,049**	6,105
Lease liabilities		**17,357**	3,132
Deferred tax liabilities		**4,242,662**	4,217,781
		8,683,415	9,536,854
NET ASSETS		**14,196,840**	14,148,106
CAPITAL AND RESERVES			
Share capital	*13*	**34,454**	34,454
Reserves		**13,747,780**	13,717,604
Total equity attributable to equity shareholders of the Company		**13,782,234**	13,752,058
Non-controlling interests		**414,606**	396,048
TOTAL EQUITY		**14,196,840**	14,148,106

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

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

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

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

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

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

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

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

— the Group is working on generating positive operating cash flows by implementing various strategies to improve the Group's income from supply chain management and trading business and rentals from investment properties to generate additional operating cash inflows;

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

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

In addition, as disclosed in note 12, bank loans and loans from other financial institutions of RMB5,233,292,000 were guaranteed and/or secured by certain investment properties, investment properties under development, properties under development for sale, completed properties held for sale and other assets of the Group at 30 June 2023 (31 December 2022: RMB4,357,140,000). The Group considered it has sufficient collateral to support the roll-over or refinancing of such banking facilities when they fall due. In making this assessment, the Group has considered, among other things, the nature, the value and the volatility of value of its overall property portfolio, including those properties that are currently not pledged.

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

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

2 CHANGES IN ACCOUNTING POLICIES

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

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

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

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

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

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

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

(b) Segment reporting

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

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

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

(i) *Segment results, assets and liabilities*

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

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

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

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

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2023 and 2022 is set out below.

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

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

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

(iii) Geographic information

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

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

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

4 OTHER NET (LOSS)/INCOME

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

5 PROFIT BEFORE TAXATION

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

(a) Finance (income)/costs

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*

(b) Staff costs

Salaries, wages and other benefits	**138,973**	144,757
Contributions to defined contribution retirement plans	**10,372**	12,635
	149,345	157,392

(c) Other items

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

6 INCOME TAX

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

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

(ii) No provision for Hong Kong Profits Tax or Singapore Corporate Income Tax as the Group did not earn any assessable income subject to Hong Kong Profits Tax or Singapore Corporate Income Tax during the six months ended 30 June 2023 and 2022.

(iii) Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy and e-commerce industry in Guangxi Province, one subsidiary of the Group, GSMN Logistics Co., Ltd., is subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2023, and two subsidiaries of the Group, Guangxi Sugar Market Network Co., Ltd. and Guangxi Bave Block Trading Market Co., Ltd. are subject to PRC CIT at a preferential tax rate of 9% for the six months ended 30 June 2023. Pursuant to the rules and regulations applicable to advanced technology enterprises of the PRC, three subsidiaries of the Group, Zallgo Information Technology (Wuhan) Co., Ltd., Shenzhen AP88.com Agriculture Information Technology Limited and Zallsoon Information Technology (Wuhan) Co., Ltd. are subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2023. The application of preferential tax rate will be reviewed by the tax authority annually.

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

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

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

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

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

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

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

8 INVESTMENT PROPERTIES

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

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

As at 30 June 2023, the Group's investment properties and investment properties under development with an aggregated carrying value of RMB11,705,391,000 (31 December 2022: RMB10,341,008,000) were pledged as collateral for the Group's interest-bearing borrowings (note 12).

9 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

As at 30 June 2023, the Group's buildings with carrying value of RMB64,413,000 (31 December 2022: RMB99,895,000) were pledged as collateral for the Group's interest-bearing borrowings (note 12).

10 TRADE AND OTHER RECEIVABLES

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

As at 30 June 2023, other receivables of RMB8,000,000 (31 December 2022: RMB8,000,000) were pledged as collateral for the Group's interest-bearing borrowings (note 12).

(a) Ageing analysis of trade debtors and bill receivables

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

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

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

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

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

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

Ageing analysis

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

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

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

11 TRADE AND OTHER PAYABLES

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

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

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

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

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

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

12 INTEREST-BEARING BORROWINGS

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

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

(a) Bank loans and loans from other financial institutions

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

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

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

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

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

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

(iii) Bank loans and loans from other financial institutions bear interest ranging from 3.65% to 6.50% per annum as at 30 June 2023 (31 December 2022: 3.65% to 6.50% per annum).

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

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

(b) Other loans

As at 30 June 2023, other loans were repayable as follows:

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

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

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

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

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

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

13 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

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

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

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

(b) Capital management

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Consumer product-focused wholesale trading

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

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

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

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

Supply chain management and trading

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

Shenzhen Sinoagri E-commerce Co., Ltd.* (深圳市中農網有限公司) ("**Shenzhen Sinoagri**"), a large-scale B2B platform for agricultural products of the Group, adhered to its customer-centric approach, continued to improve the efficiency of the digital services of its industry chain, extended the application of Corporate WeChat and CRM, and iterated and upgraded Zhongnonghui Mall. It recorded operating revenue of approximately RMB19.2 billion during the reporting period, mainly driven by the upsurge in sugar price as well as steady growth in the feed and pepper business segments. During the reporting period, the sugar output cut and sugar export restriction in India and the domestic sugar output cut resulted in a phased supply-demand conflict of sugar, which led to a surge in sugar price. Shenzhen Sinoagri continued to consolidate and enhance its sugar segment, with white sugar as its core advantageous category, and by building its core competitiveness through innovation, its sugar segment recorded an operating revenue of approximately RMB15.7 billion. Mutian Mall had 497 new registered users in the first half of the year, 372 of which were converted into paying customers, representing a conversion rate of 75%. The merchants recorded a 4% year-on-year increase in total sales and purchases through the purchasing and sales service platform of Mutian Mall. Meanwhile, Shenzhen Sinoagri penetrated the downstream market business through Mutian Mall and proactively diversified its deployment of sugar categories, including sugar for pharmaceutical, baking and other special uses, and provided differentiated services so as to satisfy the needs of different customer groups. To thoroughly carry out the key initiatives of the Central Government to comprehensively promote rural revitalization, Shenzhen Sinoagri set up Yinongtong during the reporting period, and cooperated with banks and other financial institutions to launch services to satisfy the needs of sugarcane farmers in the procurement of fertilizers, agricultural materials, agricultural tools and other agricultural supplies, as well as the payment of ground rent. It also cooperated with sugar factories to launch the Yunnan Sugarcane Farmers Support Project, which served more than 1,300 sugarcane farmers in the first half of the year. For the feed segment, Shenzhen Sinoagri has further deepened its business layout by focusing on the development of national food safety and the Belt and Road Initiative. The major products of the feed raw material trading business include soybean meal, corn and sunflower seed meal. For the first half of the year, there were 132 new customers, bringing the total number of customers to 429, of which 51% were customers of the feed group, with service scope covering Guangdong, Hunan, Jiangsu, Guangxi and other major farming provinces. For hog feed business, through the dedicated marketing of "Huizhubao" products serving moderately-sized farms, Shenzhen Sinoagri acquired 71 new customers spanning over 20 provinces, and actively transformed and upgraded its business in the direction of "self-breeding and self-raising sow farms + fattening factories".

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

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

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

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

The Group has achieved a significant growth in supply chain management and trading businesses through online and offline integrated development in recent years. Given appropriate opportunities, the Group will continue to expand to other sectors through organic growth or merger and acquisitions, thereby constantly enriching and improving the intelligent 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 30 June 2023 and 31 December 2022 were as follows:

As at 30 June 2023

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

As at 31 December 2022

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

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

RESULTS OF OPERATION

Operating revenue

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

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

Revenue from supply chain management and trading business

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

Rental income from investment properties

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

Revenue from financing income

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

Revenue from construction contracts

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

Revenue from sales of properties and related services

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

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

Cost of sales

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

Gross profit

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

Other net (loss)/income

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

Selling and distribution expenses

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

Administrative and other expenses

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

Impairment loss under expected credit loss model, net of reversal

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

Net valuation gain on investment properties

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

Finance income and costs

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

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

Share of net profits of associates

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

Share of net losses of joint ventures

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

Income tax

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

Profit for the period

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

Liquidity and capital resources

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

Cash position and treasury policies

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

Interest-bearing borrowings

The Group's total interest-bearing borrowings decreased by approximately 16.9% from approximately RMB18,261.0 million as at 31 December 2022 to approximately RMB15,170.5 million as at 30 June 2023. Majority of the interest-bearing borrowings were denominated in RMB, being the functional currency of the Group. Details of the interest rates and the maturity profile of borrowings during the six months ended 30 June 2023 are set out in note 12 to the unaudited condensed consolidated interim results of the Company in this announcement.

Net gearing ratio

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

Foreign exchange risk

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

Charge on assets

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

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

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

Significant investments held

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

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

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

Segment reporting

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

Contingent liabilities

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

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

CHANGES IN ACCOUNTING POLICIES

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

EVENTS AFTER REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

REVIEW OF THE INTERIM RESULTS

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2023. The Audit Committee has reviewed with the management of the Company and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control, risks management and financial reporting matters of the Group.

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

INTERIM DIVIDEND

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.zallcn.com. The interim report for the six months ended 30 June 2023 of the Group containing all the information required by the Listing Rules will also be published on the same websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 31 August 2023

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

* *For identification purposes only*