ZALL 卓尔智联

Zall Smart Commerce Group Ltd.

卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2098.HK

ANNUAL REPORT 2023

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. Qi Zhiping *(Co-Chief Executive Officer)*
Mr. Yu Wei
Mr. Xia Lifeng *(resigned on 1 January 2024)*
Ms. Fan Xiaolan *(appointed on 1 January 2024)*

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 *(resigned on 1 May 2023)*
Ms. Tan Huali *(appointed on 1 May 2023)*

COMPANY WEBSITE

http://www.zallcn.com/

AUTHORIZED REPRESENTATIVES

Ms. Foo Man Yee, Carina *(resigned on 1 May 2023)*
Ms. Tan Huali *(appointed on 1 May 2023)*
Mr. Qi Zhiping

HONG KONG SHARE REGISTRAR

Union Registrars Limited
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

AUDITOR

Baker Tilly Hong Kong Limited
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

	2023 RMB'000	2022 RMB'000
Revenue	**125,290,479**	110,906,215
Gross profit	**846,638**	587,425
Profit/(loss) for the year	**65,676**	(2,981,191)
Earnings/(loss) per share — Basic (RMB cents)	**0.41**	(24.94)
— Diluted (RMB cents)	**0.41**	(24.94)
Total non-current assets	**26,296,774**	25,127,151
Total current assets	**37,481,900**	34,851,903
Non-current assets classified as held for sale	**–**	380,016
Total assets	**63,778,674**	60,359,070
Total non-current liabilities	**9,259,669**	9,536,854
Total current liabilities	**40,312,320**	36,634,273
Liabilities directly associated with non-current assets classified as held for sale	**–**	39,837
Total liabilities	**49,571,989**	46,210,964
Net assets	**14,206,685**	14,148,106

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 2023.

In 2023, we adhered to our goals, worked hard to forge ahead, and kept pace with the time. We welcome our new growth and breakthroughs, and is once again ranked among the Fortune China 500.

Looking back on the past year, Zall Smart Commerce has built upon its positioning as "the world's leading digital trade platform", continued to focus on the main trajectory of the industry Internet, and actively expanded on subdivided sectors in vertical categories such as agriculture, ferrous metals, and chemical plastics, and is steadfast against the increasingly fierce market competition. Based on the advantages brought by its supply chains, the Group's intelligent trading ecosystem has added a powerful member, namely, Huafanglian, which is accelerating the reconstruction of Hubei's textile and apparel industrial chain as the "chain master", thus enhancing the overall competitiveness of the industry. Backed by strong support from the provincial and municipal governments, the 2023 Wuhan (North Hankou) Commodities Fair, the Global Digital Trade Conference, and the China National Apparel Conference were opened in Wuhan simultaneously. As North Hankou attracts more and more attention from the world, and the market is glowing with new prosperity, the business of the Company is developing more steadily.

ENHANCE TECHNOLOGY INNOVATION, FURTHER INTEGRATION OF DIGITAL TECHNOLOGY AND REAL ECONOMY, PROMOTE STEADY DEVELOPMENT OF DIGITAL TRADE

Digital trade is a new trend in the global trade development, and a new driving force for the continuous steady growth in the trade scale of the nation. Zall Smart Commerce endeavours to become the world's leading digital trade platform, and continues to focus on digital trade and strongly promote digital innovation. It has provided integrated supply chain services such as transactions, cross-border trading, warehousing, logistics, finance, and supply chain management for over 300,000 customers. As at the end of 2023, the Group had obtained a total of 154 patents and 201 copyrights.

Focusing on commodities trading, the Group's industry online platform continued to consolidate its advantageous business sectors, and accelerated its progress in agriculture, ferrous commodities, chemical plastics, etc.. In 2023, Shenzhen Sinoagri continued to explore the subdivided sectors, and expanded its sweetener business to sugar for pharmaceutical, baking and dairy drinks, etc., in order to meet the needs of more customers with its rich and diverse products. In regards to its coffee business, the specialty coffee brand, I'MMerse, was launched, and has opened brick-and-mortar stores in Shenzhen, Wuhan and other places, and is committed to providing full-chain services from plantation to the end-consumers. Zall Steel is deeply involved in the downstream terminal infrastructure, automobiles, photovoltaic new energy, power grid and other market segments, and has established cooperative relationship with numerous large state-owned enterprises and representatives of industry leaders, and has served 350 livelihood projects and high-end manufacturing projects. With its foothold in the chemical plastics market, HSH has introduced new businesses such as PET and polyester staple fiber, and relied on the advantages of the South China plastics industrial belt to set up a branch office in Dongguan to provide enterprises with shared procurement, consignment and other services in ABS, PC and other categories, striving to set up a harmonious and mutually beneficial industrial ecosystem.

To promote the in-depth integration of the digital economy and the real economy, and empower the digitalized development of industries, the Group's subsidiaries, Shenzhen Sinoagri and HSH, have set up digital "cloud factories" in silk reeling and recycled plastics, respectively, which further extend the industrial service chain to cover the entire chain process from raw material procurement, standardized production management to platform sales, transforming from "production defines sales" into "sales defines production", thus realizing shared information and collaboration to achieve mutual benefits between upstream and downstream enterprises within the industry. Based on years of experience in the sugar industry, Mutian Technology, a subsidiary of Shenzhen Sinoagri, has followed the development trend of artificial intelligence closely, and has launched the industry's first large-scale generative AI model named "AI Sugar" to build an artificial intelligence capability system of " Sugar + AI assistant", which would help sugar industry players to enhance their production efficiency and product quality, thus further reduce costs and promote sustainable development of the industry. To improve the digitalized service capabilities of warehousing, Zall Steel has self-developed a digitalized warehouse invoice consortium blockchain system to provide trusted circulation of documents and fully traceable transaction information, effectively improving the credibility of electronic transactions of commodities, and the system has obtained national invention patent.

In addition to empowering industrial transformation and upgrading, the Group is also actively strengthening the cooperation between the government and enterprises. In 2023, the Company's subsidiary Shenzhen Sinoagri and the Guangzhou Data Exchange jointly created the "Agricultural Industry Data Storage" to build an ecosystem of agricultural industry data circulation, covering multiple vertical pipelines such as sweeteners, feeds, coffee, and silk, and leverage on the advantages of massive data and rich application scenarios in the agricultural industry, so as to ensure compliance, efficiency, safe and orderly flow of data in the agricultural industry.

PROMOTE SUPPLY CHAIN INTELLIGENCE, INTEGRATE BUSINESS AND TRAVEL, NORTH HANKOU SUPPORTS WUHAN TO DEVELOP AS THE NEW CONSUMPTION CENTRE

North Hankou International Trade Centre has been gathering high-quality goods from all over the world to set up an important modern supply chain centre in the country, and has become a modern trading and logistics platform which is the largest-in-construction-scale and second-largest-in-transaction-volume in the country after years of development. Focusing on becoming "China's largest and world-leading" trading and logistics platform, North Hankou has explored a development model that combines online and offline, domestic and foreign trade, wholesale and experimental consumption, and large-scale trade exhibition centre and physical market development, to realize robust development of online economy, new forms of domestic and foreign trade, the real economy, and the exhibition economy in the professional market.

In recent years, North Hankou applied supply chain intelligence to empower the offline market development, and has set up new businesses such as the Flower Town, Flavour Town, Automobile Town, Fisherman's Wharf, and Dreamer Customization City, forming a new model of consumption supply chain featuring flowers, seafood, and condiments, etc., and linked upstream with resources in places of origin in the country and abroad, and downstream with end consumers all over Hubei and neighbouring provinces and cities, thus constructed the mega-trading hub to serve the whole nation, and accelerated Hubei's trading circulation. Among them, the "Fisherman's Wharf" cooperated with the four major fishing ports in Bohai Sea, Yellow Sea, East China Sea and South China Sea, where chilled seafood can reach the dining tables of Wuhan consumers in ten hours or so, forming a "pier to pier, sea to dining table" seafood supply chain operation model, and is intended to promote the partnership with Southeast Asian countries in seafood and other areas. In addition, with the support of the textile and apparel digital service platform, "Huafanglian", the service capabilities of North Hankou's textile and apparel supply chain have been further upgraded. In 2023, the global textile and fabrics exhibition centre, the new "Textile Wharf", set up by Huafanglian was unveiled in the Global Textile Exhibition Centre in North Hankou, with tens of thousands of premium fabrics from over 100 high-quality fabric manufacturers across the country. The convenient model of "shop offline and deliver online" transformed direct procurement from source to centralized procurement, the influence of which would radiate across the nation.

To help develop Wuhan as a new consumer centre and construct a national pilot zone of new development pattern in Hubei, North Hankou has held international events that integrate international and domestic markets through "business and travel integration", which also brought new momentum to the market. North Hankou continuously creates new consumption scenarios and experiences, and has set up featured zones and themed projects such as Hankou Town, Universal Town, Wuhan 1980, and Carnival Theme Park, providing immersive consumption scenarios and one-stop "sightseeing, shopping, entertainment and procurement" experience that quickly attracted young consumers to check in, making it a new hot spot in Wuhan for internet celebrity fond of cultural tourism. In October 2023, the 2023 Wuhan (North Hankou) Commodities Fair, the Global Digital Trade Conference, and the China National Apparel Conference were opened at the same time at North Hankou International Trade Centre. Diplomats from 30 countries and representatives of chambers of commerce and associations, as well as delegations of business representatives from ASEAN countries have participated in the exhibition, showcasing a large number of new services and new consumption scenarios at the exhibition, and cooperative projects such as investment in the clothing industry, and procurement and trade of agricultural products were reached, making it the largest-in-scale, highest-standard and most effective event in record.

ACTIVELY DEVELOP NEW FORMS OF FOREIGN TRADE AND ACCELERATE THE EXPANSION OF INTERNATIONAL BUSINESS

Foreign trade is one of the "Troika" that drives economic growth. It is also an important link between the global industrial and supply chains, and plays an important role in stabilizing the economy and promoting development. In recent years, Zall Smart Commerce has been reinforcing the "comprehensive foreign trade services" in North Hankou, promoting North Hankou to become an important platform for SMEs in Wuhan and Hubei to export their products and services. Meanwhile, with the Commodities Intelligence Centre (CIC) at the core, the Company has launched its supply chain and technology services based on international trade, and continued to expand its influence in international markets, such as the Southeast Asia market.

Combining the advantages of market procurement and trade, and giving full play to the role of cross-border e-commerce, North Hankou Market has been actively developing a new foreign trade business model that combines "cross-border e-commerce + market procurement + comprehensive foreign trade services", and has become an important hub for national goods distributed to markets at home and abroad. In 2023, North Hankou Import and Export Service Co., Ltd. (漢口北進出口服務有限公司) established the trade corridor to Africa and set up an export business focusing on auto parts. Meanwhile, it has linked up to the global pepper supply chain with the "Pepper Exchange" that integrates imported centralized procurement, premium products exhibition and sales, index launch, trade matching, and culture promotion functions, where pepper products from India, Vietnam and other countries can be traded like stocks. By the end of 2023, the total export volume of the pilot market procurement project at North Hankou had reached nearly RMB20 billion.

Chairman's
Statement (continued)

Based in Singapore, CIC is committed to providing global traders with one-stop digital services, such as transaction matching, supply chain logistics, supply chain finance, and global compliance monitoring. The transactions involve energy, nickel, copper, iron, electrolytic copper and other categories. Against the background of global economic growth slowdown, CIC has actively developed its digital technology business, and launched international data intelligent search platforms such as "TradeData.pro" and "VNmore", providing services such as business intelligence visualization, macro-analysis and due diligence services. Currently, "TradeData.pro" business covers over 30 countries and hundreds of Fortune 500 companies in Europe, Asia, Latin America, etc., and the number of platform visits and usage ranked first in the Southeast Asian market.

At present, geopolitical conflicts and trade protectionism have adversely affected China's trade activities. However, with the continuous emergence and robust development of new business formats and models in the digital economy, digital trade will usher in a broader space for development. Centering on the mission of "enabling smooth and easy trading with seamless flow of elements", Zall Smart Commerce will adhere to the digital driving force, continue to promote the transformation of trade formats and supply chain optimization and innovation, actively explore international markets, strengthen international economic and trade cooperation, and contribute to accelerate China's transformation into a trader of quality.

Yan Zhi
Co-Chairman

Hong Kong, 28 March 2024

Management Discussion
and Analysis

BUSINESS REVIEW

Consumer product-focused wholesale trading

The Group's core project, North Hankou International Trade Centre ("North Hankou"), has now formed 30 large comprehensive clusters of specialized markets covering small merchandise, branded clothing, hotel supplies, second-hand vehicles, fresh food, etc.. It has launched new theme zones including Hankou Town, Universal Town, Wuhan 1980, and Carnival Theme Park, featuring towns such as Flower Town, Flavour Town, and Automobile Town, and new markets such as Dreamer Customization City, New Textile Wharf, Fisherman's Wharf, and Spice Exchange, thus accelerated the establishment of China's largest and world's leading commercial logistics platform.

In 2023, North Hankou leverage on the "power" of policies to enhance the "efficiency" of development. The 2023 Hubei Provincial Government Work Report mentioned twice that "North Hankou successfully hosted 14 international and national events including the Wuhan Commodities Fair" and "supported the construction of 10-billion-yuan level trading markets such as the North Hankou International Trade Centre". North Hankou was mentioned four times in the 2023 Wuhan Government Work Report, including "promote the development of North Hankou and other e-commerce live streaming clusters", "focus on building of 10 e-commerce live streaming clusters including North Hankou", "promote the optimization and upgrading of North Hankou International Commodity Trading Centre", and "host the Global Digital Trade Conference and Wuhan (North Hankou) 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 Grade-A E-commerce Live Streaming Cluster. North Hankou was also rated as a pilot industrial base by the Hubei Provincial Department of Commerce for the province's reform on integrating of domestic and foreign trade, and was selected as the top five of the top 100 China commodity markets at the 13th China Commodity Market Summit.

In 2023, North Hankou built on the "foundation" of logistics and constructed the "city" as a hub. In May 2023, North Hankou Group Co., Ltd. entered into the "Wuhan business service-oriented National Logistics Hub Strategic Cooperation Framework Agreement" with a number of logistics companies to integrate waterways, railways, highways, aviation and other logistics resources and large-scale logistics bases and facilities in North Hankou and surrounding areas, thus accelerate the improvement of the service capacity and coverage of North Hankou Commercial Services Logistics Hub, and jointly promote the construction and development of Wuhan business service-oriented National Logistics Hub.

Management Discussion and Analysis (continued)

In 2023, North Hankou sought "new" business formats and "changes" in models. This year, North Hankou launched new markets such as New Textile Wharf, Fisherman's Wharf, Spice Exchange, and Dreamer Customization City. It has constructed the most comprehensive online and offline fabrics and accessories trading base in Hubei, the largest seafood ingredients market in Wuhan, the first pepper spot trading centre in Hubei, and the integrated intelligent customized furnishing plaza, forming an agile, efficient and low-cost consumer products supply chain that connects resources in places of origin in the country and abroad and end consumers across Hubei and surrounding provinces and cities, and built up a supersized trading hub serving the whole country. In March, Huafanglian, the third provincial-level supply chain integrated service platform of Hubei Province, settled in North Hankou, providing one-stop integrated services such as online matching, centralized procurement, intelligent transactions, digital factories, supply chain financing, industry information, policy services, quality inspection and designer matching for upstream and downstream enterprises in the textile and apparel industry. With more than 7,000 registered companies, the transaction volume of the platform has exceeded RMB5.4 billion. North Hankou is dedicated to promote the mutual development of Huafanglian, global textile exhibition centre — Textile Wharf (Wuhan branch), North Hankou Branded Garment City, and Light Textile and Accessories City, so as to build up a bigger and stronger textile and apparel industry cluster. China National Textile and Apparel Council Testing Centre (Wuhan) and the Wuhan Branch of China Fabric Sample Warehouse were set up in North Hankou as well. North Hankou actively organized industry events, including co-organizing the "Keqiao Select (柯橋優選)" project with Keqiao China Light Textile City, hosting the 2023 China National Apparel Conference and the Hubei Textile and Apparel Expo, and coordinated with Huafanglian in hosting the 2023 China Textile Conference.

In 2023, North Hankou "stimulated" the market on the "booming" of exhibitions. The 2023 Wuhan (North Hankou) Commodities Fair (the "Wuhan Commodities Fair"), the 2023 Global Digital Trade Conference, and the First China National Apparel Conference were held concurrently. 10 large-scale exhibitions including the Hubei Textile and Garment Industry Expo, Hubei-ASEAN Agricultural Products Expo, Wuhan International Flower Show, Wuhan Hotel Supplies Expo, Wuhan International Customized Home Furnishing Expo, Emerging Automobile Expo, Wuhan Stationery Expo, China Fabric and Accessories (Wuhan) Expo, Wuhan Time-honored Brand Expo, and Hubei Import and Export Commodities Expo, making it the largest trade fair in the inland region. At the conference, Zall Smart Commerce launched the green trading service tool "Zall Zero Carbon (卓零碳)" to support corporate users in implementing lean carbon management, optimizing the green logistics supply system, and systematically enhancing the green and low-carbon competitiveness of products. Leveraging on the potential of the Wuhan Commodities Fair, North Hankou achieved a peak in store-opening investment, nearly one hundred new stores in hotel supplies, smart home, clothing and other industries were opened, with an additional operating area of approximately 160,000 square meters.

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"), a large-scale B2B platform for agricultural products of the Group, adheres to its strategic goals and customer-oriented focus, and strives to promote the transformation and upgrading of digital services in the industry chain. During the reporting period, Shenzhen Sinoagri focused on the core sectors to create differentiated core competitiveness, and achieved operating revenue of approximately RMB40.8 billion. In the first half of 2023, 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. In the second half of the year, sugar crushing in Brazil and Guangxi in China began, thus continued to drive up the estimated output, global supply is expected to improve, and sugar price remain relatively low. Despite the violent fluctuations in the sugar market, Shenzhen Sinoagri still achieved an annual operating revenue of approximately RMB30.9 billion from the sugar segment. Shenzhen Sinoagri closely adheres to the business strategy of "preserve the inventory, promote growth, and pursuit transformation", and leverage on Mutian Mall as a carrier to continuously lay a solid foundation, so as to successfully expand from the original main categories to multiple categories, including 174 new categories of sugar for pharmaceutical, baking and refined sugar, etc., thus strengthened operations and promotion, expanded the competitive advantages and market share of each sub-category, accurately matched diversified needs with diversified products, and effectively improved customer loyalty and conversion rate. In 2023, Mutian Mall had 1,073 newly registered customers, 438 converted new customers, and the conversion rate reached 41%. At the same time, Shenzhen Sinoagri stressed on the implementation of digital intelligent innovation and development from a strategic perspective, and promoted the digital projects in an orderly manner. Shenzhen Sinoagri has researched and developed its first intelligent large-scale model of "AI Sugar" to serve users across the entire sugar industrial chain. Based on the actual needs of sugar business scenarios, it provides users with a series of services such as procurement, trading and industry information. Shenzhen Sinoagri relies on the Zhongnonghui Mall to set up a digital buy-and-sell scenario for agricultural supplies and agricultural services, and set up the "special support project for sugarcane plantation expansion" model, reaching nearly 20 sugar factories and serving more than 1,700 sugarcane farmers, thus effectively promoting rural revitalization. In the spices and condiments sector, the operating model of Shenzhen Sinoagri that combines import, production, processing and sales of the dried pepper category has gradually matured, and 8 regional marketing sub-centres had been set up in Xi'an, Chengdu, Chongqing, etc., with operating revenue of approximately RMB260 million and 505 new customers during the year. Its products were exported to Indonesia, South Africa, Japan and other countries. The feed raw materials trading business of Shenzhen Sinoagri mainly focused on soybean meal, corn and sunflower seed meal, and has continuously accumulated leading customers in the industry, acquiring 185 new customers during the year, bringing the total number of customers to 506, and achieved operating revenue of approximately RMB1 billion, representing a year-on-year increase of 15%.

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 2023, HSH and recycled plastic companies jointly built the industry's first digital cloud factory for recycled plastics, using digital technologies such as cloud computing, big data, and the Internet of Things, to integrate the whole cycle from waste plastic recycling and classification from the source, grading of raw materials and supply to the factory, standardized management of factory production, large-platform sales, delivery from the front-end warehouses to after-sales service, etc., to achieve a win-win situation for all parties through realizing sales based on demand, production based on sales, and materials based on production. HSH also continues to improve its supply chain SCM management system 2.0, providing online transactions, price and transaction information, payment and settlement, warehousing and processing, logistics and distribution and other supply chain services to over ten thousand plastic companies each year, realizing the flow of data upstream, midstream and downstream of the industrial chain, thus achieve digital procurement and sales control such as precise distribution, dynamic monitoring of goods, and order management on mobile, effectively reducing transaction costs and cooperation risks between enterprises. In addition, HSH's intelligent risk control system has completed the risk control models for more than 15,000 plastic manufacturing companies of wires and cables, home appliances, auto parts, daily necessities, pipelines, etc., and has established connections between 4,000 companies and the banks, and processed the auditing of over 200 transaction orders per day, thus effectively solving the problems of non-transparent information and high credit risk in traditional trading. HSH continued to enrich the variety of its chemical product portfolio by introducing businesses such as PET and polyester staple fibre, in a bid to strengthen its market position. During the year ended 31 December 2023, the HSH platform had accumulated 52,043 customers, and achieved an operating revenue of approximately RMB24.1 billion, an increase of approximately 9.5% year-on-year.

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, leverages on the technology to build on the six service platforms of "smart trading, supply chain service, SaaS cloud service, warehousing and Internet of Things, smart logistics and data information" to promote industry reform, transformation and upgrading. Zall Steel leverages on the technologies of Internet of Things, 5G, blockchain traceability and other technologies, and co-operated with multiple financial institutions to set up the "multi-bank, multi-product" supply chain service supermarket, effectively solving the financing problems of the steel industry chain, enabling its customers to enjoy the safe, convenient and efficient online supply chain services of the financial institutions. The lightweight customized SaaS service system developed by Zall Steel covered all business scenarios across the steel industry, and achieved seamless management of the entire process of sales, production, inventory, procurement, human resources, finance, and office work, serving over 2,000 customers including large central state-owned enterprises, and contributed to the 29% increase in the Company's human efficiency ratio and the 18% increase in online operation efficiency rate. The SaaS service system has passed the Kunpeng Technology Certification of Huawei. The electronic warehouse receipt information alliance chain system independently developed by Zall Steel provides various parties along the supply chain of ferrous commodities with safe, efficient, intelligent and convenient warehousing supervision and processing services, and has obtained national intellectual property patent of inventions. In 2023, Zall Steel had established 30 trading service centres across China, reaching more than 310 cities in 32 provinces and serving more than 70,000 members, and established 32 ZCH (卓倉匯) standard warehouses, providing services for 350 people's livelihood engineering and high-end manufacturing projects. Zall Steel also actively provides one-stop supply chain integration service solutions for large end-user steel companies, including infrastructure, automobiles, photovoltaic new energy, power grid and other market segments, and has served multiple large-scale state-owned enterprises and leading companies in the industry. In 2023, Zall Steel achieved an operating revenue of approximately RMB24.5 billion, and received a number of accolades such as

Shanghai's Top 100 Enterprises and 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 has received the honourary accreditation of Shanghai Innovative SMEs, the National High-Tech Enterprise Certification, and the Electronic Warehouse Receipt Invention Patent. As a representative of the steel digital intelligence service platform, Zall Steel participated in the drafting of the national "Commodity Price Index Compilation Guidelines", and was selected as one of the first batch of implementation units.

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 2023, the CIC platform had 16,378 registered users, with a GMV of over US$20.0 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. For the year ended 31 December 2023, CIC achieved an operating revenue of approximately RMB8.0 billion. Its big data platform for trade, TradeData.pro, has further expanded the global market through diversified online marketing strategies which mainly covers Southeast Asia, European and American countries and regions, with product click-through rates increasing significantly compared to last year.

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.

Management Discussion
and Analysis (continued)

INVESTMENT PORTFOLIO

The portfolio of listed equity investments of the Group as at 31 December 2023 and 31 December 2022 were as follows:

As at 31 December 2023

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost RMB'000	Carrying amount as at 31 December 2023 RMB'000	Unrealised holding loss arising on revaluation for the year ended 31 December 2023 RMB'000	Dividend received for the year ended 31 December 2023 RMB'000
00607.HKEX	Fullshare Holdings Limited ("Fullshare")	11,819,250 (note)	1.86%	620,157	6,748	49,210	–

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	11,819,250 (note)	2.23%	620,157	55,958	2,687	–

Note: Fullshare consolidated 50 shares to 1 share, effective on 4 December 2023. The number of shares held as at 31 December 2022 has taken into account the consolidation for comparison purpose, as the consolidation has taken place on that date.

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

As at 31 December 2023, the Group held 11,819,250 (31 December 2022: 11,819,250) shares in Fullshare, representing approximately 1.9% of its entire issued share capital (31 December 2022: approximately 2.2%). 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 RMB49.2 million for the year ended 31 December 2023 (31 December 2022: approximately RMB2.7 million). The carrying amount of investment in Fullshare accounts for approximately 0.01% of the Group's total assets as at 31 December 2023 (31 December 2022: approximately 0.09%). The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

Management Discussion
and Analysis (continued)

RESULTS OF OPERATION

Revenue

Revenue of the Group increased by approximately 13.0% from approximately RMB110,906.2 million for the year ended 31 December 2022 to approximately RMB125,290.5 million for the year ended 31 December 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 year ended 31 December 2023. For the year ended 31 December 2023, the Group's revenue from supply chain management and trading business was approximately RMB124,691.4 million (2022: approximately RMB110,409.9 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 increased by approximately 17.7% from approximately RMB240.9 million for the year ended 31 December 2022 to approximately RMB283.5 million for the year ended 31 December 2023. The increase was primarily due to the increase in gross area for rental purpose during the year.

Revenue from financing income

The Group's financing income decreased by approximately 32.1% from approximately RMB87.2 million for the year ended 31 December 2022 to approximately RMB59.3 million for the year ended 31 December 2023. The decrease was mainly due to the decrease in supply chain financing income from Shenzhen Sinoagri.

Sales of properties and related services

Revenue from sales of properties and related services increased by approximately 47.7% from approximately RMB106.8 million for the year ended 31 December 2022 to approximately RMB157.7 million for the year ended 31 December 2023.

The Group's revenue from sales of properties was attributed to the sales of retail shops and auxiliary facilities units. The increase in revenue from sales of properties and related services was mainly attributed to the increase in the gross floor area delivered in 2023.

Cost of sales

For the year ended 31 December 2023, cost of sales of the Group was approximately RMB124,443.8 million (2022: approximately RMB110,318.8 million). The total cost of sales of the Group increased accordingly as the revenue increased.

Gross profit

Gross profit of the Group increased by approximately 44.1% from approximately RMB587.4 million for the year ended 31 December 2022 to approximately RMB846.6 million for the year ended 31 December 2023. The Group's gross profit margin increased from approximately 0.53% for the year ended 31 December 2022 to approximately 0.68% for the year ended 31 December 2023, which is mainly due to the combined effect of (i) the slight increase in the gross profit margin of supply chain management and trading business which contributed to approximately 99.5% of the Group's total revenue; and (ii) the increase in rental income and revenue from sales of properties and related services with higher gross profit margin.

Other net (loss)/income

The Group recorded net other loss of approximately RMB38.6 million for the year ended 31 December 2023, while there was net other income of approximately RMB135.6 million for the year ended 31 December 2022. The change was mainly due to (i) the increase in fair value loss on listed equity securities of approximately RMB47.7 million; and (ii) the fair value losses on wealth management products and trust products, and forward contracts of approximately RMB15.9 million and RMB3.1 million, respectively, for the year ended 31 December 2023, compared to fair value gain of approximately RMB34.4 million and RMB25.5 million for the year ended 31 December 2022.

Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately 25.5% from approximately RMB209.7 million for the year ended 31 December 2022 to approximately RMB263.2 million for the year ended 31 December 2023. The increase was primarily due to (i) an increase in staff cost of approximately RMB15.7 million; (ii) an increase in office utilities and management fee of approximately RMB12.9 million; and (iii) an increase in logistics and handling fee of approximately RMB17.8 million.

Administrative and other expenses

Administrative and other expenses of the Group decreased by approximately 13.9% from approximately RMB520.8 million for the year ended 31 December 2022 to approximately RMB448.3 million for the year ended 31 December 2023. The decrease was mainly due to (i) a decrease in staff cost of approximately RMB13.8 million; (ii) a decrease in professional fee of approximately RMB16.1 million; and (iii) a decrease in office expense, rental and research and development cost of approximately RMB29.1 million.

Impairment loss under expected credit loss model, net of reversal

The impairment loss under expected credit loss model, net of reversal of the Group for the year ended 31 December 2023 was approximately RMB104.6 million (2022: approximately RMB29.1 million). The increase was mainly due to the collection of rentals receivables was not as expected.

Impairment loss on goodwill

The Group recorded no impairment loss on goodwill for the year ended 31 December 2023, compared to impairment loss of approximately RMB267.1 million for the year ended 31 December 2022. It was mainly caused by the fact that the financial performance of Shenzhen Sinoagri of the Group improved in the financial year of 2023.

Management Discussion
and Analysis (continued)

Net valuation gain/(loss) on investment properties

The Group recorded a net valuation gain on investment properties which amounted to approximately RMB470.5 million for the year ended 31 December 2023 (2022: loss of approximately RMB934.0 million). The net valuation gain was mainly due to additional properties transferred to investment properties for rental purposes during the year and the stable value of properties.

Net gain/(loss) on disposal of subsidiaries

The Group recorded net gain on disposal of subsidiaries of approximately RMB41.3 million (2022: net loss of approximately RMB1,423.8 million) for the year ended 31 December 2023. The recognition of net loss for the year ended 31 December 2022 was mainly 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 2023 was approximately RMB9.2 million (2022: approximately RMB1.5 million). The increase was mainly due to the increase of profits of the Group's major associate.

Finance income and costs

Finance income of the Group decreased by approximately 8.2% from approximately RMB353.4 million for the year ended 31 December 2022 to approximately RMB324.3 million for the year ended 31 December 2023. The decrease was mainly due to the decrease in interest income from fixed deposits.

Finance costs of the Group decreased by approximately 31.9% from approximately RMB910.0 million for the year ended 31 December 2022 to approximately RMB619.6 million for the year ended 31 December 2023. The decrease was mainly due to the decrease in interest expense on interest-bearing borrowings.

Income tax (expense)/credit

For the year ended 31 December 2023, income tax expense was approximately RMB151.3 million (2022: credit of approximately RMB241.5 million). The change was mainly due to the recognition of deferred tax credit as a result of the net valuation loss on investment properties and impairment loss on goodwill recognised in 2022, while deferred tax expense was recognised on valuation gain on investment properties in 2023.

Profit/(loss) for the year

For the year ended 31 December 2023, the Group recorded a net profit of approximately RMB65.7 million (2022: loss of approximately RMB2,981.2 million). For the year ended 31 December 2023, profit attributable to equity shareholders of the Company was approximately RMB50.9 million (2022: loss of approximately RMB3,040.3 million).

Management Discussion
and Analysis (continued)

Liquidity and capital resources

As at 31 December 2023, the Group had net current liabilities of approximately RMB2,830.4 million (31 December 2022: approximately RMB1,442.2 million) and net assets of approximately RMB14,206.7 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, 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 of its existing borrowings and will consider raising additional fundings by bank borrowings, where appropriate; and (iii) the Group plans to dispose of non-core business and assets to raise additional working capital. As at 31 December 2023, the total equity attributable to equity shareholders of the Company amounted to approximately RMB13,804.3 million (31 December 2022: approximately RMB13,752.1 million), comprising issued capital of approximately RMB34.5 million (31 December 2022: approximately RMB34.5 million) and reserves of approximately RMB13,769.8 million (31 December 2022: approximately RMB13,717.6 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 2023, the Group's cash and cash equivalents amounted to approximately RMB1,783.0 million (31 December 2022: approximately RMB1,341.3 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 decreased by approximately 16.4% from approximately RMB18,261.0 million as at 31 December 2022 to approximately RMB15,268.3 million as at 31 December 2023. 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 2023 are set out in note 25 of the consolidated financial statements in this report.

Net gearing ratio

The Group's net gearing ratio decreased from 48.6% as at 31 December 2022 to 28.1% as at 31 December 2023. 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 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 31 December 2023, the Group had pledged certain of its assets with a total book value of approximately RMB17,155.7 million (31 December 2022: approximately RMB19,212.2 million) and a total book value of approximately RMB9,476.7 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 has no material acquisition or disposal during the year ended 31 December 2023. The Group will seek opportunities to sell non-core assets and businesses to enhance liquidity and devote investment resources to core businesses.

Segment reporting

Details of the segment reporting of the Group for the year ended 31 December 2023 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 obtaining the individual property ownership certificate and the full settlement of mortgage loans by the buyers. As at 31 December 2023, the guarantees in relation to mortgage facilities granted to purchasers of the Group's properties amounted to approximately RMB137.1 million (31 December 2022: approximately RMB188.4 million).

As at 31 December 2023, the Group provided a financial guarantee to independent third parties of approximately RMB292.0 million (31 December 2022: approximately RMB331.4 million).

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 2023, the Group employed a total of 1,655 full time employees (2022: 1,615). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2023, the employees benefit expenses were approximately RMB316.5 million (2022: approximately RMB321.6 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. 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 31 December 2023, 30,120,543 share options were lapsed and no share option was exercised or cancelled under the Share Option Scheme during the year ended 31 December 2023. The Company has approved and adopted a new share option scheme on 28 May 2021 (the "2021 Share Option Scheme") 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 2023, no share options have been granted under the 2021 Share Option Scheme.

The Group has also adopted a share award scheme (the "Share Award Scheme") to recognise the contributions by any employees (including without limitation any director) of any member of the Group, who the administration committee of the Board considers, in their absolute discretion, to have contributed or will contribute to the Group, and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. During the year ended 31 December 2023, no awarded shares were granted, vested, cancelled or lapsed under the Share Award Scheme.

Biographical Details of Directors **and Senior Management**

EXECUTIVE DIRECTORS

Mr. Yan Zhi (閻志), aged 51, is the executive Director, chairman and chief executive officer 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 an independent director of DouYu International Holdings Limited, a company listed on the Nasdaq Stock Market, since July 2019. Mr. Yan Zhi was a director of LightInTheBox, a company listed on the New York Stock Exchange, from March 2016 to March 2023, and chairman of the board of LightInTheBox from June 2018 to March 2023. 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 64, 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. 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. Dr. Yu was a director of LightInTheBox, a company listed on the New York Stock Exchange, from March 2016 to March 2023, and an independent director of Chindata Group Holdings Limited, a company listed on Nasdaq Stock Market, from September 2020 to December 2023.

Biographical Details of Directors and Senior Management (continued)

Mr. Qi Zhiping (齊志平), aged 51, 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 and co-chief executive officer of the Group in July 2018. Mr. Qi is also 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 41, 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 Wei was appointed as a director of LightInTheBox, a company listed on the New York Stock Exchange, in March 2023.

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.

Ms. Fan Xiaolan (范曉蘭), aged 54, joined the Group in May 2022, is the chairlady of North Hankou Group Ltd.* (漢口北集團有限公司), a subsidiary of the Company, and is primarily responsible for the operation and day-to-day management of the North Hankou business of the Group. Ms. Fan has over 15 years of experience in corporate strategy and operations management. Prior to joining the Group, Ms. Fan served as vice president of Hubei Yihua Group Ltd.* (湖北宜化集團有限責任公司) during 2008 to 2012, and served as deputy secretary and mayor of the Municipal Party Committee of Dangyang Municipal Government during 2007 to 2008, she also served as secretary of the Youth League Committee and secretary of the Party Leadership Group of Yichang City during 2003 to 2007. Ms. Fan is a member of the board of supervisors of Wuhan Huazhong CNC Co., Ltd.* (武漢華中數控股份有限公司), which is listed on the Shenzhen Stock Exchange, since April 2021, and re-designated as the chairlady of the board of supervisors since April 2022. She is also a member of the board of supervisors of Hanshang Group Co., Ltd.* (漢商集團股份有限公司), which is listed on the Shanghai Stock Exchange, since March 2022. Further, since 2012, Ms. Fan has served as a director of Zall Holdings Ltd.* (卓爾控股有限公司), a company established in the PRC with limited liability, held as to 99.95% as of the date of this report by Mr. Yan Zhi, an executive Director. Ms. Fan obtained a master degree in Executive Master of Business Administration (EMBA) from Cheung Kong Graduate School of Business in 2015.

Biographical Details of Directors
and Senior Management (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Ka Fai (張家輝), aged 49, 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, and was re-designated from chief financial officer to chief executive officer on 25 July 2023. 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 64, 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 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 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, from March 2011 to August 2023, and a director of HyUnion Holding Co., Ltd. * (海聯金匯科技股份有限公司), which is listed on the Shenzhen Stock Exchange, 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 60, 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 the chairman of meetings of partners 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. 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 Ms. Fan Xiaolan (范曉蘭) 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 47, 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 55, 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 46, 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 46, 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 44, 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 2023.

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 that occurred during the year ended 31 December 2023 are provided in the section headed "Chairman's Statement" on pages 4 to 7, the section headed "Management Discussion and Analysis" on pages 8 to 19 and the section headed "Management of Key Risks" on pages 60 to 63 of this annual report. An account of the Company's relationships with its key stakeholders is included in the paragraph headed "Relationships with Employees, Suppliers and Customers" of the report of the Directors on page 33 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2023 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 8 to 19 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 2023 are set out in the consolidated statement of profit or loss on page 74.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (corresponding period in 2022: Nil).

Report of the
Directors (continued)

FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2023 and the state of the Company's and the Group's affairs as at that date are set out on pages 74 to 207.

RESERVES

Movements in the reserves of the Group during the year ended 31 December 2023 are set out on pages 78 to 79.

DISTRIBUTABLE RESERVES

As at 31 December 2023, 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 RMB4,248 million (2022: RMB4,243 million).

GROUP FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years are summarised on page 212 of this annual report.

SHARE CAPITAL

Changes in share capital of the Company for the year ended 31 December 2023 and as at that date are set out in note 30(b) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

SHARE OPTION 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 2023, 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. 15,547,407 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 15,547,407 outstanding share options, representing approximately 0.13% 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 2023, 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 2023	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31 December 2023	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	(1,506,027)	777,371	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	(27,108,489)	13,992,665	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	(1,506,027)	777,371	HK$8.46	N/A (Note 2)
Total				45,667,950	Nil	Nil	Nil	(30,120,543)	15,547,407		

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. During the year ended 31 December 2023, 30,120,543 Share Options were lapsed. No Share Options had been granted, exercised or cancelled during the year ended 31 December 2023.

Save as disclosed above, there were no outstanding Share Options at the beginning and/or at the end of the year ended 31 December 2023.

(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 2023, 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) 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 2023, 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 2023. 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 2023.

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 2023, 1,161,602,580 shares were 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.

During the year ended 31 December 2023, no Awarded Shares were granted by the Company in accordance with the terms of the Share Award Scheme. No Awarded Shares had been vested, cancelled or lapsed during the year ended 31 December 2023. There were no unvested Awarded Shares under the Share Award Scheme at the beginning and at the end of the year ended 31 December 2023.

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''), the annual report of the Company dated 31 March 2023, the interim report of the Company dated 31 August 2023, 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 interim report of the Company dated 31 August 2023, a separate share purchase agreement has been entered into between the Parties for the acquisition of the second tranche of the Subsequent Target Equity Interest (being 3% of the total equity interest of the Project Company). As at the date of this annual report, the Parties are still in the progress of fulfilling the remaining conditions precedent of the second tranche of the Subsequent Acquisition, in particular, the settlement of the remaining 80% of the consideration (i.e. approximately RMB88 million). It is expected that the acquisition of the second tranche of the Subsequent Target Equity Interest would complete on or before 31 December 2024.

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 9.9% (2022: 17.2%) of the Group's total sales; and the sales attributable to the Group's largest customer were approximately 3.1% (2022: 6.4%) 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 8.0% (2022: 16.9%) of the Group's total purchases; and the purchases attributable to the Group's largest supplier were approximately 1.9% (2022: 6.0%) 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 2023 are set out in note 25 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year under review amounted to approximately RMB55,000 (2022: RMB53,000).

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 208 to 211.

SIGNIFICANT INVESTMENT HELD

Investment properties constitute the main part of the Group's offline markets. Through self-owned capital, bank borrowings and etc., the Group will continue 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 2023 are set out in the section headed "Major Properties Information" on pages 208 to 211 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 2023, 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. Qi Zhiping *(Co-Chief Executive Officer)*
Mr. Yu Wei
Mr. Xia Lifeng *(resigned on 1 January 2024)*
Ms. Fan Xiaolan *(appointed on 1 January 2024)*

Independent Non-Executive Directors:

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

Mr. Xia Lifeng resigned on 1 January 2024 as an executive Director of the Company due to his intention to devote more time to his other commitments. Mr. Xia 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. Qi Zhiping, Mr. Yu Wei and Mr. Wu Ying will retire from the office of Director by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company to be held on 28 May 2024 (the "AGM"). In accordance with article 83(3) of the Articles, Ms. Fan Xiaolan, appointed by the Board as an addition to the existing Board, will retire from the office of Director and, being eligible, offer herself for re-election at 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 20 to 24 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.

Report of the **Directors (continued)**

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 and senior management, 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 and senior management 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.

Report of the **Directors (continued)**

INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

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

Save as disclosed in this report, no 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 2023.

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 2023.

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 2023.

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

Except for service contracts with Directors of the Company, 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 sections 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 2023, 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 C3 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 2023	Approximate percentage of shareholding as at 31 December 2023[4]
Mr. Yan Zhi	Interest of controlled corporations	8,633,306,868 (L) [1]	69.63%
	Beneficial owner	73,833,000 (L)	0.60%
Dr. Gang Yu	Beneficial owner	270,000 (L)	0.00%
	Interest of spouse	11,800,000 (L)	0.10%
	Interest of controlled corporation	90,690,840 (L) [3]	0.73%
Mr. Qi Zhiping	Beneficial owner	4,560,324 (L) [2][a]	0.04%
	Interest of spouse	21,555,809 (L) [2][b]	0.17%
Mr. Yu Wei	Beneficial owner	290,000 (L)	0.00%
Mr. Xia Lifeng (resigned on 1 January 2024)	Beneficial owner	898,000 (L)	0.01%
Ms. Fan Xiaolan (appointed on 1 January 2024)	Beneficial owner	270,000 (L)	0.00%
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 7,323,906,268 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 (i) 3,517,180 shares; (ii) 265,773 unreleased Management Shares as detailed in note 2(c); and (iii) 777,371 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 (i) 2,779,259 shares; (ii) 4,783,885 unreleased Management Shares as detailed in note 2(c); and (iii) 13,992,665 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.

(c) As the release of lock-up conditions was not fulfilled following the publication of 2022 annual report of the Company, all unreleased Management Shares shall be sold to public investors with respective proceeds remitted to the Purchaser. For details, please refer to the paragraph headed "Management Shares and Management Options" in the circular of the Company dated 15 February 2017 and note 28(a) of this report.

(3) The 90,690,840 shares are held by Smartedge Group Limited, an entity owned as to 50% each by Dr. Gang Yu and his spouse.

(4) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2023 (12,399,505,800 ordinary shares).

Save as disclosed above, as at 31 December 2023, 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 2023, 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 2023	Approximate percentage of shareholding as at 31 December 2023[3]
Substantial shareholder			
Zall Development Investment	Beneficial owner	7,323,906,268 (L) [1]	59.07%
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 2023 which was 12,399,505,800.

There was a duplication of interest of 7,323,906,268 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 2023, 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 2023, the Group's total contributions to the retirement schemes charged in the consolidated statement of profit or loss amounted to approximately RMB17.4 million (2022: approximately RMB19.4 million).

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

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2023, 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 2021 Strategic Framework Agreement with Wuhan Z-Bank for 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 Framework Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2023, the maximum daily balance (including interests accrued thereon) of deposits placed by the Group with Wuhan Z-Bank amounted to approximately RMB206 million (2022: approximately RMB131 million) which is within the daily deposit cap of RMB300 million. Hereby the Company wishes to clarify that due to clerical error, the historical maximum daily balance (including interests accrued thereon) of deposits placed by the Group with Z-Bank for the eleven months ended 30 November 2023 under section "Historical Amounts and Deposit Caps" in the announcement of the Company dated 29 December 2023 was mistakenly stated as approximately RMB226 million, while the correct number should be RMB206 million.

On 29 December 2023, the Company entered the 2024 Renewed Strategic Framework Agreement with Wuhan Z-Bank, pursuant to which the parties agreed that the 2021 Strategic Framework Agreement shall be renewed for a term of three years from 1 January 2024 to 31 December 2026 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 29 December 2023.

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

CONFIRMATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have reviewed and confirmed that for the year ended 31 December 2023, 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 (Revised) "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.

RELATED PARTY TRANSACTIONS

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

Report of the **Directors (continued)**

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 Thursday, 23 May 2024 to Tuesday, 28 May 2024 (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 Wednesday, 22 May 2024.

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 2023 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 auditor of the Company on 11 November 2021 and BDO Limited ("BDO") was appointed as auditor 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 auditor of the Company on 17 October 2022, Baker Tilly Hong Kong Limited ("Baker Tilly") was appointed as auditor 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 auditor of the Company during the past three years.

The consolidated financial statements of the Group for the year ended 31 December 2023 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 auditor of the Company is to be proposed at the forthcoming AGM.

By order of the Board
Yan Zhi
Co-Chairman

Hong Kong, 28 March 2024

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 2023.

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 C1 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 2023. During the year ended 31 December 2023, 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 RMB2,830,420,000 as at 31 December 2023 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 68 to 73 of this Annual Report.

THE BOARD

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

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

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 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 annual general meeting of the Company 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 20 to 24 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 2023.

During the year ended 31 December 2023, 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 2023, the Directors have made active contribution to the affairs of the Group and four 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 2023, the Audit Committee met three times and it has reviewed the Group's consolidated financial statements for the six months ended 30 June 2023 and for the year ended 31 December 2022. It has also considered the appointment of external auditor and approved 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 discussed 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 therein

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 2023. 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 2023 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 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.

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 twice to review the structure, size and composition of the Board and approve the appointment of a new director 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 following are the measurable objectives:

1. at least one third of the Directors shall be independent non-executive Directors;

2. at least one Director is female;

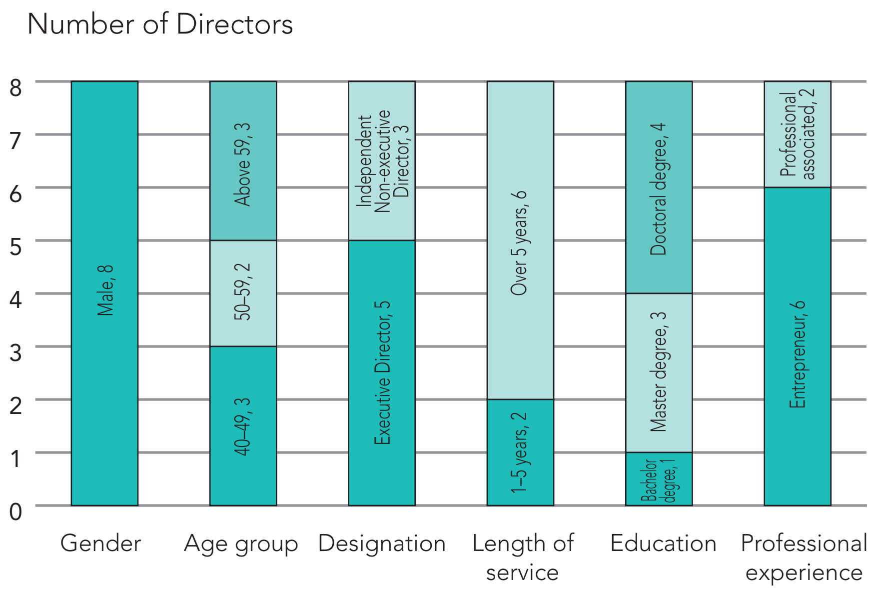
3. at least one Director shall have obtained accounting or other professional qualifications;

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

5. accomplishment and experience in different industries.

During the year ended 31 December 2023 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. Following the resignation of Mr. Xia Lifeng, Ms. Fan Xiaolan was appointed as executive Director of the Company on 1 January 2024. The Board considered that Ms. Fan had profound suitable qualifications and experience relevant to the principal business of the Group, and could contribute her own perspective, skills and experience to the Board on the Group's affairs, as well as benefit to the diversity of the Board.

As at 31 December 2023, 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 was also achieved after the appointment of Ms. Fan Xiaolan.

Opportunities for employment, training and career development of the Group are equally opened to all eligible employees without discrimination. As at 31 December 2023, the proportion of male and female in the workforce of the Group (including executive Directors and senior management) is approximately 55% to 45%, 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 2023. 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)	4/4	N/A	2/2	N/A	N/A	1/1
Dr. Gang Yu (Co-Chairman)	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Qi Zhiping (Co-Chief Executive Officer)	4/4	N/A	N/A	2/2	1/1	1/1
Mr. Yu Wei	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Xia Lifeng (resigned on 1 January 2024)	4/4	N/A	N/A	N/A	N/A	1/1
Independent non-executive Directors:						
Mr. Cheung Ka Fai	4/4	3/3	2/2	N/A	1/1	1/1
Mr. Wu Ying	4/4	3/3	2/2	2/2	N/A	1/1
Mr. Zhu Zhengfu	4/4	3/3	N/A	2/2	1/1	1/1

DIRECTORS' TRAINING

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

During the year ended 31 December 2023, 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. Qi Zhiping, Mr. Yu Wei, Mr. Xia Lifeng (resigned on 1 January 2024), 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	11/11	1, 2	A, B
Dr. Gang Yu	11/11	1, 2	A, B
Mr. Qi Zhiping	11/11	1, 2	A, B
Mr. Yu Wei	11/11	1, 2	A, B
Mr. Xia Lifeng (resigned on 1 January 2024)	11/11	1, 2	A, B
Independent Non-Executive Directors:			
Mr. Cheung Ka Fai	11/11	1, 2	A, B
Mr. Wu Ying	11/11	1, 2	A, B
Mr. Zhu Zhengfu	11/11	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 2023. 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 2023 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 68 to 73 of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2023, 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 as set out in the CG Code, 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	3
RMB1,000,001 to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	1

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has developed the Group's internal control, risk assessment and management systems and has overall responsibility for reviewing and maintaining an adequate and effective risk management and internal control systems to safeguard the interests of the shareholders and the assets of the Group. It evaluates the effectiveness of the systems at least annually to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting internal audit and financial reporting functions, 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 2023, 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 2023, 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 were 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. In 2023, the Group's main business objectives focused on revenue and profit targets for business planning and implementation, while combining the existing resources and advantages of each company's platform to formulate and decompose feasible strategic goals. However, since the economy has not fully recovered in 2023 from the Covid-19 pandemic, and the policy control of real estate and other industries have led to imbalances in the supply and demand of upstream bulk commodities, this has had a greater impact on the small, medium and micro enterprises that the Group is committed to serve, thus affecting the Group's scale of business. In view of this, the Group included business objective risk as one of the key risks faced by the Group in 2023.

The Group attaches great importance to the abovementioned business target risks, and actively analyzes the impact of the environment and market conditions, proactively changes the business subsegments, and avoids sluggish segmented business. For example, due to the impact of real estate policy control, the Group has shifted to serve customers in industries such as auto parts, photovoltaic, and electric power, and continued to increase its reach to various business entities; in 2023, while expanding their industrial chain upstream and downstream, HSH and Shenzhen Sinoagri has promoted their cloud factory projects, grasping the downstream demand in a timely manner, and accurately responding to the production and processing stages. In addition, the Group has strengthened its risk management during the year in the face of uncertainties in the external environment. For example, it has cooperated with digital invoice agencies such as baiwang.com to timely predict the taxation risks of transaction counterparties, repeatedly calculated and updated the risk control models, and increased its risk control at warehouses and logistics hubs during the trade circulation process, as well as improving its risk management and control measures, such as strengthening the training of risk management teams and implementing a system to rotate the risk control duties, so as to aid the Group to achieve its operation goals.

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. 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 and provides appropriate training for employees in different positions. However, as talent recruitment and training do take up a certain amount of resources, normal turnover of employees will have a certain risk and impact on the Group.

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 mechanism based on market research results to prevent excessive brain drain. During the year, the Group had not experienced any shortage of staff, but the demand from new business or new projects may result in a shortfall in talent, which requires replenishment through internal and external recruitment. Meanwhile, there was a temporary shortage in the recruitment of core outpost staff of the Group's subsidiaries, which was solved by cooperating with subsidiaries in recruitment. The Group formulated a number of training-related management systems and methods to make 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 2023, the Group focused on its main business and have established and operated a trading platform matrix, 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 output of each resource and hinder business development. In view of this, based on the strategic value of each subsidiary to the Group and coupled with budget planning, the Group has established a priority resource allocation mechanism based on a full consideration of its strategic planning, industry prospects, operating return and other factors to allocate resources to different business sectors, so as 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. In 2022, the government and the central bank successively announced policies that support the development of the private economy. 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, which is favourable for the development of the Group's main business. In 2023, the government introduced policies to promote the development of industrial and supply chains, with a view to establish a green, safe, and resilient supply chain. This created positive confidence and conducive environment to the development of the Group's major business. At the same time, the government continued to reinforce the importance of supply chain finance in promoting the development of SMEs, and provides an excellent policy environment for the Group to expand its supply chain value-added service business. In addition, financial institutions have gradually responded to the government's call to resolve the financing difficulties and expensive financing for private enterprises, and gradually liberated the provision of financing support to private enterprises. However, as the commodities industry involves environmental issues, and the industries its customers are engaged in involves high level of carbon emission, the expansion of the commodities industrial chain of the Group still needs to be furthered, creating ongoing challenge for the Group to establish a green and resilient supply chain. In addition, although financial institutions have responded to the State's call to inject financial resources into private enterprises, they are limited by traditional credit mechanisms and internal processes of the banks, and the promotion of traditional credit support to private enterprises or the development and innovation of supply chain financial products is not sufficient. Therefore, the Group may not receive maximized support from the policies and benefits to the financial industry.

With full awareness and understanding of the risk, in 2023, the Group actively cooperated with EC Digital, which is engaged in carbon data accounting and carbon footprint management in the industry, to promote the establishment of a green, safe and resilient supply chain, and has experimented with carbon emission management in related industries such as ferrous metals, while continuously penetrating into farming, production and processing of agricultural products such as sugar and cocoon silk. By participating in multiple stages along the supply chain, it helps to ensure that the risks of the Group's supply chain business are controllable.

5. Credit management

The Group's trading platform provides users with comprehensive supply chain financial services, and is an important link in perfecting the layout of Zall Smart Commerce's transaction ecosystem and strengthening supply chain financial services. In 2023, due to the impact of market conditions on certain products, the total amount of overdue trade receivables and the collection cycle of the Group have both gone up compared with 2022. However, the final recoverable ratio is not much different from the customer's credit rating and expected bad debt ratio. In response to changes in current environmental and industry cycle adjustments, each business sector of the Group has made dynamic adjustments and optimization on their business plans and policies based on objective and actual conditions, so as to match the current actual production and operation cycle of customers. For customers with lower credit ratings, the business platform would support collection of overdue amounts, formulate targeted collection plans with "one account, one policy", and establish a dedicated collection team to encourage timely collection. This year, the overall business risks are within control. The Group understands that credit risks may have an impact on the security and stability of working capital. Therefore, the Group would make advance payments to reputable upstream suppliers, as well as requiring downstream buyers to make payment after receiving the goods to achieve cash on delivery and prompt settlement of consideration and payment. The Group would refer to their historical data before granting credit to customers and require their legal representatives or associated factories to provide guarantees when conducting credit sales. For customers with deferred payments, the Group would increase collection efforts and keep monitoring the situation, and manage credit risks through upstream and downstream gatekeeping. In addition, the Group will carry out on-site due diligence, to reinforce the effort towards cooperation risk investigation to ensure that the credit risks of its upstream and downstream businesses are controllable. At the same time, we have strengthened the delivery and acceptance management of goods, clarified delivery standards and key points, to ensure that the delivery is without abnormalities and is authentic. For post-loan credit monitoring of customers, abnormalities are discovered in a timely manner and early warning is provided to ensure that business cooperation risks are controllable, and the Group's control over credit management risks is strengthened. If the business risk goes beyond control indicators, the Group would require the corresponding platform to provide special written reports, adjust its product plans and risk control measures, and reduce such business risks to the risk control indicators within the stipulated timeframe.

Corporate
Governance Report (continued)

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 2023.

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 2023, 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 41,600 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.

Corporate
Governance Report (continued)

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 hold the Company liable to declare dividends at any time or from 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 ("Ms. Foo") of CS Legend Business Services Limited, an external services provider, resigned as the Company Secretary with effect from 1 May 2023. Her primary contact person at the Company is Mr. Zhu Guohui, the chief financial officer of the Company. Ms. Tan Huali ("Ms. Tan") has been appointed as the Company Secretary with effect from 1 May 2023.

During the year ended 31 December 2023, each of Ms. Foo and Ms. Tan 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 2023. 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 voting rights (on a one vote per share basis) in the share 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 not made any changes to its constitutional documents for the year ended 31 December 2023.

Independent
Auditor's Report

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天職國際

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 74 to 207, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS 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 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 RMB2,830,420,000 as at 31 December 2023. This condition, 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.

Independent
Auditor's Report (continued)

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 RMB24,466 million and accounts for 38% of the Group's total assets as at 31 December 2023. These properties comprise logistic units, e-commerce malls, wholesale shopping malls and offices. The fair values of investment properties as at 31 December 2023 were assessed by the directors based on valuations prepared by an independent firm of qualified external property valuers.

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 profit 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' qualification, experience and expertise in the properties being valued and considering their objectivity;

- with the assistance of our 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 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 2023, the carrying amount of goodwill, which arose from the acquisition of Shenzhen Sinoagri E-commerce Co., Ltd. in 2017, was 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 an 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' qualifications, experience and expertise and considering their objectivity;
- assessing and challenging the Group's identification of CGUs and the allocation of goodwill and other assets to those CGUs with reference to the requirements of the prevailing accounting standards;
- with the assistance of our 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;

KEY AUDIT MATTERS *(Continued)*

Impairment assessment of goodwill *(Continued)*

- 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 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 of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

Independent
Auditor's Report (continued)

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, 28 March 2024
Chau Fong, Lily
Practising certificate number P08090

Consolidated
Statement of Profit or Loss

for the year ended 31 December 2023 (Expressed in Renminbi)

	Notes	**2023 RMB'000**	2022 RMB'000
Revenue	3	**125,290,479**	110,906,215
Cost of sales		**(124,443,841)**	(110,318,790)
Gross profit		**846,638**	587,425
Other net (loss)/income	4	**(38,647)**	135,597
Selling and distribution expenses		**(263,160)**	(209,709)
Administrative and other expenses		**(448,315)**	(520,789)
Impairment loss under expected credit loss model, net of reversal	5(b)	**(104,554)**	(29,136)
Impairment loss on goodwill	13	**–**	(267,083)
Net valuation gain/(loss) on investment properties	10	**470,456**	(933,998)
Net valuation loss on investment properties held for sale		**–**	(5,251)
Net gain/(loss) on disposal of subsidiaries	35	**41,312**	(1,423,797)
Profit/(loss) from operations		**503,730**	(2,666,741)
Finance income	5(a)	**324,345**	353,367
Finance costs	5(a)	**(619,563)**	(910,001)
Share of net profits of associates	15	**9,191**	1,513
Share of net losses of joint ventures	16	**(735)**	(835)
Profit/(loss) before taxation	5	**216,968**	(3,222,697)
Income tax (expense)/credit	6	**(151,292)**	241,506
Profit/(loss) for the year		**65,676**	(2,981,191)
Attributable to:			
Equity shareholders of the Company		**50,915**	(3,040,264)
Non-controlling interests		**14,761**	59,073
Profit/(loss) for the year		**65,676**	(2,981,191)
Earnings/(loss) per share (RMB cents)	9		
Basic		**0.41**	(24.94)
Diluted		**0.41**	(24.94)

The notes on pages 82 to 207 form part of these financial statements.

Consolidated Statement of
Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023 (Expressed in Renminbi)

	2023 **RMB'000**	2022 RMB'000
Profit/(loss) for the year	**65,676**	(2,981,191)
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences arising on translation of foreign operations, with nil tax impact	**1,288**	80,580
Other comprehensive income for the year	**1,288**	80,580
Total comprehensive income/(loss) for the year	**66,964**	(2,900,611)
Attributable to:		
Equity shareholders of the Company	**52,203**	(2,959,684)
Non-controlling interests	**14,761**	59,073
Total comprehensive income/(loss) for the year	**66,964**	(2,900,611)

The notes on pages 82 to 207 form part of these financial statements.

Consolidated Statement of
Financial Position

at 31 December 2023 (Expressed in Renminbi)

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Investment properties	10	**24,466,240**	23,475,664
Property, plant and equipment	11	**348,144**	291,524
Intangible assets	12	**428,286**	444,993
Goodwill	13	**251,498**	251,498
Interests in associates	15	**282,648**	194,457
Interests in joint ventures	16	**18,495**	19,230
Equity investments at fair value through other comprehensive income	17	**3,000**	–
Contract assets	20(a)	**30,418**	30,418
Deferred tax assets	29(b)	**468,045**	419,367
		26,296,774	25,127,151
Current assets			
Inventories	19	**4,779,687**	4,508,221
Trade and other receivables	21	**20,055,402**	17,383,123
Financial assets at fair value through profit or loss	18	**264,416**	684,792
Amounts due from related parties and non-controlling shareholders of subsidiaries	34(d)	**924,025**	639,920
Prepaid taxes	29(a)	**34,066**	38,808
Pledged bank deposits	22	**9,641,308**	10,255,721
Cash and cash equivalents	23	**1,782,996**	1,341,318
		37,481,900	34,851,903
Non-current assets classified as held for sale		**–**	380,016
		37,481,900	35,231,919
Current liabilities			
Trade and other payables	24	**17,927,188**	16,208,114
Contract liabilities	20(b)	**10,395,307**	6,453,504
Lease liabilities	26	**17,081**	10,828
Financial liabilities at fair value through profit or loss	18	**–**	77,380
Amounts due to related parties and non-controlling shareholders of subsidiaries	34(e)	**1,020,646**	434,431
Interest-bearing borrowings	25	**10,405,065**	12,951,172
Current taxation	29(a)	**547,033**	498,844
		40,312,320	36,634,273
Liabilities directly associated with non-current assets classified as held for sale		**–**	39,837
		40,312,320	36,674,110
Net current liabilities		**(2,830,420)**	(1,442,191)
Total assets less current liabilities		**23,466,354**	23,684,960

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

at 31 December 2023 (Expressed in Renminbi)

	Notes	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Interest-bearing borrowings	25	**4,863,205**	5,309,836
Deferred income		**3,296**	6,105
Lease liabilities	26	**16,902**	3,132
Deferred tax liabilities	29(b)	**4,376,266**	4,217,781
		9,259,669	9,536,854
NET ASSETS		**14,206,685**	14,148,106
Capital and reserves			
Share capital	30(b)	**34,454**	34,454
Reserves		**13,769,807**	13,717,604
Total equity attributable to equity shareholders of the Company		**13,804,261**	13,752,058
Non-controlling interests		**402,424**	396,048
TOTAL EQUITY		**14,206,685**	14,148,106

Approved and authorised for issue by the board of directors on 28 March 2024.

Yan Zhi
Director

Qi Zhiping
Director

The notes on pages 82 to 207 form part of these financial statements.

Consolidated Statement of **Changes in Equity**

for the year ended 31 December 2023 (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	30(c)(ii)	–	–	–	5,326	–	–	–	–	–	(5,326)	–	–	–
Dividends to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(4,328)	(4,328)
Equity-settled share-based payment for employees	28	48	7,013	–	–	–	–	–	–	–	–	7,061	–	7,061
Disposal of subsidiaries		–	–	–	(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

Consolidated Statement of
Changes in Equity (continued)

for the year ended 31 December 2023 (Expressed in Renminbi)

	Notes	Attributable to equity shareholders of the Company												
		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 2023		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
Profit for the year		–	–	–	–	–	–	–	–	–	50,915	50,915	14,761	65,676
Other comprehensive income for the year														
— Exchange differences on translation of financial statements of foreign operations		–	–	–	–	–	1,288	–	–	–	–	1,288	–	1,288
Total comprehensive income for the year		–	–	–	–	–	1,288	–	–	–	50,915	52,203	14,761	66,964
Appropriation to statutory reserve	30(c)(ii)	–	–	–	10,085	–	–	–	–	–	(10,085)	–	–	–
Dividends to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(8,840)	(8,840)
Disposal of subsidiaries	35(a)	–	–	–	–	–	–	–	–	–	–	–	(9,308)	(9,308)
Capital contribution from non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	9,763	9,763
Balance at 31 December 2023		34,454	4,766,905	(39,029)	396,394	163,895	(66,786)	36,946	51,991	(9,375)	8,468,866	13,804,261	402,424	14,206,685

The notes on pages 82 to 207 form part of these financial statements.

Consolidated
Statement of Cash Flows

for the year ended 31 December 2023 (Expressed in Renminbi)

	Notes	2023 RMB'000	2022 RMB'000
Operating activities			
Cash generated from operations	23(b)	**2,050,354**	894,439
Income tax paid		**(28,619)**	(35,696)
Net cash generated from operating activities		**2,021,735**	858,743
Investing activities			
Purchase of property, plant and equipment and investment properties		**(57,103)**	(52,782)
Purchase of intangible assets		**(38,976)**	(23,872)
Proceeds from disposal of property, plant and equipment		**13,265**	19,823
Proceeds from disposal of intangible assets		**7,888**	–
Decrease/(increase) in pledged bank deposits		**614,413**	(1,210,066)
Interest received		**324,345**	353,367
Net proceeds from disposal of subsidiaries	35	**(866)**	947,812
Capital contributions to associates		**(30,000)**	(3,000)
Net proceeds from disposal of associates		**–**	2,634
Purchase of financial assets at fair value through profit or loss		**(211,229)**	(440,000)
Acquisition of equity investments at fair value through other comprehensive income		**(3,000)**	–
Proceeds from financial assets at fair value through profit or loss		**532,028**	1,247,945
Advances to related parties and non-controlling shareholders of subsidiaries		**(1,065,053)**	(472,753)
Repayment from related parties and non-controlling shareholders of subsidiaries		**780,948**	340,096
Net cash generated from investing activities		**866,660**	709,204

Consolidated
Statement of Cash Flows (continued)

for the year ended 31 December 2023 (Expressed in Renminbi)

	Notes	2023 RMB'000	2022 RMB'000
Financing activities			
Advances from related parties and non-controlling shareholders of subsidiaries	23(c)	**923,069**	990,450
Repayment to related parties and non-controlling shareholders of subsidiaries	23(c)	**(336,854)**	(734,373)
Proceeds from new bank loans and loans from other financial institutions	23(c)	**3,367,643**	2,623,066
Repayment of bank loans and loans from other financial institutions	23(c)	**(6,350,075)**	(3,575,069)
Proceeds from other loans	23(c)	**185,802**	2,624,605
Repayment of other loans	23(c)	**(196,108)**	(2,783,441)
Capital element of lease rentals paid	23(c)	**(24,705)**	(19,255)
Interest and other borrowing costs paid		**(16,538)**	(714,027)
Interest element of lease rentals paid	23(c)	**(1,162)**	(418)
Proceeds from capital contribution by the controlling shareholders	30(a)	**–**	249,247
Proceeds from capital contribution from non-controlling shareholders of subsidiaries		**9,763**	16,685
Dividend paid to non-controlling shareholders of subsidiaries		**(8,840)**	(4,328)
Net cash used in financing activities		**(2,448,005)**	(1,326,858)
Net increase in cash and cash equivalents		**440,390**	241,089
Cash and cash equivalents at 1 January	23(a)	**1,341,318**	1,095,766
Effect of foreign exchange rate changes		**1,288**	4,463
Cash and cash equivalents at 31 December	23(a)	**1,782,996**	1,341,318

The notes on pages 82 to 207 form part of these financial statements.

Notes to
the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL 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. Material 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 change in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 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:

— 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));

— investments in equity and non-equity investments (see note 1(g));

— 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 cost 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 MATERIAL 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 RMB2,830,420,000 as at 31 December 2023. 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 requirements 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 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 but not limited to 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; and

— 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 borrowing, where appropriate; and

— the Group plans to dispose of certain non-core business and assets to raise additional working capital.

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

In addition, bank loans and loans from other financial institutions of RMB5,527,705,000 were guaranteed and/or secured by certain investment properties, properties under development for sale, completed properties held for sale and other assets of the Group at 31 December 2023. 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) New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(i) New and amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

Amendments to IAS 8 — Definition of Accounting Estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these consolidated financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented. The adoption of amendments to IAS 12 did not have any significant impact on the Group's consolidated financial statements.

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to Mandatory Provident Fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

(Expressed in Renminbi unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism *(Continued)*

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. The abolition of the offsetting mechanism did not have a material impact on the Group's results and financial position.

(iii) 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 2023 reporting periods and have not been early adopted by the Group.

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
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 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

Except for the amendments to IFRS mentioned below, the directors of the Company anticipate that the application of all other amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 "Financial Instruments: Presentation".

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(iii) New and amendments to IFRSs in issue but not yet effective *(Continued)*

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") (Continued)

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

(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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised incomes and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. 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.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI 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 NCI and the equity shareholders of the Company. Loans from holders of NCI is presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(s).

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale. They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

When the Group's share of losses exceeds its interest in the associate or 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 joint venture, after applying the expected credited losses ("ECLs") model to such other long-term interests where applicable (see note 1(m)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interests in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

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

(f) Goodwill

Goodwill arising on acquisition of business is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 1(m)(iii)).

(g) Other investments in debt and equity securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

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

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(i) Non-equity investments

Non-equity investments 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. Expected credit losses, interest income calculated using the effective interest method (see note 1(y)(ii)(c)), foreign exchange gains or losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

— 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. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial assets was measured at amortised cost. The difference between fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI 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 investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. 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. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and 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 (see note 1(y)(ii)(b)), unless the dividend clearly represents a recovery of part of the cost of the investment.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(h) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation.

(i) Investment properties

Investment property is initially measured at cost, and subsequently at fair value with changes therein recognised in profit or loss. Any gain or loss on disposal of investment property is recognised in profit or loss. Rental income from investment properties is recognised in accordance with note 1(y)(ii)(a).

(j) Property, plant and equipment

Items of property, plant and equipment are stated at cost which includes capitalised borrowing costs, less accumulated depreciation and any accumulated 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)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components). Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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, and is generally recognised in profit and loss.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

The estimated useful lives for the current and comparative periods and 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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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 MATERIAL 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 any accumulated impairment losses (see note 1(m)(iii)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

—	software	3–10 years
—	favourable contracts	2.5 years
—	customer relationship	20 years
—	trademark (with definite useful life)	8 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case 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.

(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 leases that have a short 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. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(l) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

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 recognised 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 are charged to profit or as 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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, 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).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will 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.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(l) Leased assets *(Continued)*

(i) As a lessee *(Continued)*

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification 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 rent concessions that occurred as a direct consequence of the COVID-19 pandemic and 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

The Group 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. Otherwise, the lease is classified as an operating lease.

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 MATERIAL 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 (see note 1(o)); and

— lease receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following discount rates if the effect 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 MATERIAL 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)

ECLs are measured on either of the following bases:

— 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period of expected life of instruments less than 12 months); and

— lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

1 MATERIAL 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)

The Group considers a financial asset to be in default when:

— the debtor 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

— the financial asset is 90 days past due.

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, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in statement of financial position (see note 1(g)(i)).

Credit-impaired financial assets

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.

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;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

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

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off 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.

(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.

The amount initially recognised as deferred income is subsequently amortised in profit or loss over the term of the guarantee as income (see note 1(y)(ii)(e)).

The Group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at higher amount 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.

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.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(ii) Credit losses from financial guarantees issued *(Continued)*

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.

(iii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(iv) Interim financial reporting and impairment

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

— **Property development**

Cost of properties comprises specifically identified cost, including the acquisition cost of interests in freehold and 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)) and any other costs incurred in bringing the properties to their present location and condition. In the case of properties developed by the Group which comprise of multiple units to be 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 any estimated costs of completion and costs to be incurred in selling the property.

1 MATERIAL 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 terms in the contract. Contract assets are assessed for ECL (see 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 is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 1(p)).

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, and only the passage of time is required before payment of that consideration is due.

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 (see note 1(m)(i)).

(q) Cash and cash equivalents

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

(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.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(s) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 1(aa).

(t) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(u) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(v) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

(w) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividend.

Current tax assets and liabilities are offset only if criteria are met.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(w) Income tax *(Continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

— temporary differences related to investment in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

— taxable temporary differences arising on the initial recognition of goodwill; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Where investment properties are carried at their fair value in accordance with 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 measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(x) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 2(m)(iii)).

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.

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

(i) Revenue from contracts with customers

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.

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.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

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

(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.

(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) 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.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

(ii) Revenue from other sources and other income

(a) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. 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.

(b) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(c) Interest income/financing income

Interest income/financing income is recognised using the effective interest method. The 'effective interest rate' is 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. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(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)).

(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.

1 MATERIAL ACCOUNTING POLICIES *(Continued)*

(z) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

— an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

1 MATERIAL 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.

(ab) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to deferred tax assets, employee benefits assets, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted

1 MATERIAL 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 MATERIAL 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.

(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 selling prices, this may result in write-downs for the subject properties. Such write-downs require the use of judgment and estimates of the directors of the Company. As at 31 December 2023, the carrying amounts of properties under development for sale and completed properties held for sale were RMB2,022,945,000 (2022: RMB1,951,005,000) and RMB1,155,006,000 (2022: RMB1,286,848,000), respectively. No write-downs of the subject properties were considered necessary for the year ended 31 December 2023 (2022: nil).

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 2023, 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 in 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 service lines is as follows:

	2023 RMB'000	2022 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	**157,657**	106,751
— Revenue from supply chain management and trading business	**124,691,353**	110,409,906
— Others	**42,948**	35,131
	124,891,958	110,551,788
Revenue from other sources		
Gross rentals from investment properties		
— Lease payments that are fixed	**283,506**	240,936
Financing income	**59,262**	87,236
Others	**55,753**	26,255
	125,290,479	110,906,215
Revenue from contracts with customers within the scope of IFRS 15:		
Geographical markets		
The PRC	**116,439,424**	100,143,006
Singapore	**8,452,534**	10,408,782
Total	**124,891,958**	110,551,788
Timing of revenue recognition		
A point in time	**124,776,283**	110,462,856
Over time	**115,675**	88,932
Total	**124,891,958**	110,551,788

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Revenue *(Continued)*

(i) Disaggregation of revenue *(Continued)*

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 2023 (2022: nil). Details of credit risk are set out in note 31(a).

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

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB190,101,000 (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 (see note 1(y)(ii)). The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the properties under development for sale, when the properties are accepted by the customer or deemed as accepted according to the contract (whichever is earlier), which is expected to occur over the next 1 to 24 months (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 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, being the chief operating decision maker, 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 services.

— 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 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 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)*

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 2023 and 2022 is set out below.

	Property development and related services		Supply chain management and trading		Total	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Reportable segment revenue	**441,163**	347,687	**124,806,368**	110,523,397	**125,247,531**	110,871,084
Reportable segment profit/(loss)	**77,071**	20,732	**(41,699)**	(159,851)	**35,372**	(139,119)
Other segment information:						
Net valuation gain/(loss) on investment properties	**470,456**	(933,998)	**–**	–	**470,456**	(933,998)
Net valuation loss on investment properties held for sales	**–**	(5,251)	**–**	–	**–**	(5,251)
Impairment loss (recognised)/reversed under expected credit loss model	**(135,723)**	(62,010)	**23,989**	56,314	**(111,734)**	(5,696)
Impairment loss on goodwill	**–**	–	**–**	(267,083)	**–**	(267,083)
Depreciation and amortisation	**(9,281)**	(13,884)	**(71,963)**	(69,685)	**(81,244)**	(83,569)
Finance income	**7**	7	**324,325**	353,357	**324,332**	353,364
Finance costs	**(231,718)**	(466,158)	**(378,470)**	(442,862)	**(610,188)**	(909,020)
Share of net profits/(losses) of associates	**–**	–	**476**	(820)	**476**	(820)
Share of net losses of joint ventures	**–**	–	**(735)**	(835)	**(735)**	(835)
Additions to non-current segment assets during the year	**3,186**	12,507	**120,721**	82,099	**123,907**	94,606
Reportable segment assets	**27,898,586**	27,413,241	**34,019,360**	31,414,508	**61,917,946**	58,827,749
Reportable segment liabilities	**3,959,420**	4,147,737	**38,188,836**	35,858,835	**42,148,256**	40,006,572

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

Revenue

	2023 RMB'000	2022 RMB'000
Reportable segment revenue	**125,247,531**	110,871,084
Other revenue	**42,948**	35,131
Consolidated revenue (note 3(a))	**125,290,479**	110,906,215

Profit/(loss)

	2023 RMB'000	2022 RMB'000
Reportable segment profit/(loss)	**35,372**	(139,119)
Other net (loss)/income (note 4)	**(38,647)**	135,597
Net valuation gain/(loss) on investment properties	**470,456**	(933,998)
Net valuation loss on investment properties held for sale	**–**	(5,251)
Net gain/(loss) on disposal of subsidiaries	**41,312**	(1,423,797)
Finance income	**324,345**	353,367
Finance costs	**(619,563)**	(910,001)
Share of net profits of associates	**9,191**	1,513
Share of net losses of joint ventures	**(735)**	(835)
Unallocated head office and corporate expenses	**(4,763)**	(300,173)
Consolidated profit/(loss) before taxation	**216,968**	(3,222,697)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

Assets

	2023 RMB'000	2022 RMB'000
Reportable segment assets	**61,917,946**	58,827,749
Elimination of inter-segment receivables	**(691,670)**	(705,599)
	61,226,276	58,122,150
Interests in associates	**282,648**	194,457
Interests in joint ventures	**18,495**	19,230
Deferred tax assets	**468,045**	419,367
Prepaid taxes	**34,066**	38,808
Non-current assets classified as held for sale	**–**	380,016
Unallocated head office and corporate assets	**1,749,144**	1,185,042
Consolidated total assets	**63,778,674**	60,359,070

Liabilities

	2023 RMB'000	2022 RMB'000
Reportable segment liabilities	**42,148,256**	40,006,572
Elimination of inter-segment payables	**(691,670)**	(705,599)
	41,456,586	39,300,973
Current taxation	**547,033**	498,844
Deferred tax liabilities	**4,376,266**	4,217,781
Liabilities directly associated with non-current assets classified as held for sale	**–**	39,837
Unallocated head office and corporate liabilities	**3,192,104**	2,153,529
Consolidated total liabilities	**49,571,989**	46,210,964

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 and joint ventures ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the 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	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
The PRC	**116,837,945**	100,497,433	**25,793,281**	24,675,372
Singapore	**8,452,534**	10,408,782	**2,030**	1,994
	125,290,479	110,906,215	**25,795,311**	24,677,366

The analysis above includes property rental income from external customers in the PRC of RMB283,506,000 (2022: RMB240,936,000).

4 OTHER NET (LOSS)/INCOME

	2023 RMB'000	2022 RMB'000
Net fair value changes on financial instruments at FVPL		
— listed equity securities	**(49,399)**	(1,730)
— wealth management products and trust products	**(15,878)**	34,446
— forward contracts	**(3,117)**	25,549
— contingent consideration (note 18(ii))	**(8,839)**	(1,176)
	(77,233)	57,089
Government subsidies (Note)	**30,046**	41,910
Others	**8,540**	36,598
	(38,647)	135,597

Note: During the year ended 31 December 2023, the Group has received subsidies of RMB30,046,000 (2022: RMB41,910,000) 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.

5 PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance (income)/costs

	2023 RMB'000	2022 RMB'000
Finance income		
Interest income from bank deposits	**(324,345)**	(353,367)
Finance costs		
Interest on interest-bearing borrowings	**487,874**	714,027
Interest on lease liabilities	**1,162**	418
Other borrowing costs	**5,150**	11,747
Less: Amounts capitalised into properties under development*	**(83,207)**	(80,049)
	410,979	646,143
Bank charges and others	**213,484**	288,114
Net foreign exchange gains	**(4,900)**	(24,256)
	619,563	910,001

* The borrowing costs have been capitalised at 8.95%–9.98% (2022: 5.34%–11.78%) per annum for the year ended 31 December 2023.

(b) Impairment loss under expected credit loss model, net of reversal

	2023 RMB'000	2022 RMB'000
Impairment losses recognised/(reversed) under expected credit loss model		
— trade debtors and bills receivable (note 31(a)(i))	**3,080**	23,898
— rental receivables (note 31(a)(i))	**124,076**	(12,681)
— loans and factoring receivables (note 31(a)(ii))	**3,964**	(42,501)
— other receivables (note 31(a)(iii))	**(26,217)**	57,672
— advance to suppliers	**(349)**	2,748
	104,554	29,136

(Expressed in Renminbi unless otherwise indicated)

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

(c) Other items

	2023 RMB'000	2022 RMB'000
Amortisation of intangible assets (note 12)	**45,180**	46,504
Depreciation (note 11)		
— property, plant and equipment (other than right-of-use assets)	**16,908**	12,830
— right-of-use assets	**32,241**	25,314
	49,149	38,144
Staff costs		
— Salaries, wages and other benefits	**299,040**	295,184
— Contributions to defined contribution retirement plans	**17,429**	19,384
— Equity-settled share-based payment expenses (note 28)	**–**	7,061
	316,469	321,629
Auditor's remuneration		
— audit services	**4,200**	4,200
Research and development costs (included in administrative and other expenses)	**12,009**	22,009
Rentals receivable from investment properties less direct outgoings of RMB2,550,000 (2022: RMB4,055,000)	**(280,956)**	(236,881)
Cost of commodities sold (note 19(c))	**124,307,321**	110,189,548
Cost of properties sold (note 19(b))	**27,000**	77,188

6 INCOME TAX

	2023 RMB'000	2022 RMB'000
Current tax		
PRC Corporate Income Tax ("PRC CIT")	**76,689**	30,859
PRC Land Appreciation Tax ("PRC LAT")	**4,633**	3,459
	81,322	34,318
Over-provision in prior years		
PRC LAT	**–**	(21,494)
Deferred tax		
Origination and reversal of temporary differences	**69,970**	(254,330)
	151,292	(241,506)

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.

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax as the Group did not earn any assessable income subject to Hong Kong Profits Tax during both years.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

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 is subject to PRC CIT at a preferential tax rate of 15% for the years ended 31 December 2023 and 2022, and two subsidiaries of the Group, are subject to PRC CIT at a preferential tax rate of 9% for the years ended 31 December 2023 and 2022. Pursuant to the rules and regulations applicable to advanced technology enterprises of the PRC, three subsidiaries of the Group are subject to PRC CIT at a preferential tax rate of 15% for the years ended 31 December 2023 and 2022. The application of preferential tax rate is reviewed by the tax authority annually.

6 INCOME TAX *(Continued)*

All the other PRC subsidiaries of the Group are subject to income tax at 25% for both years under the PRC Corporate Income Tax Law, which was enacted on 16 March 2007.

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.

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

	2023 **RMB'000**	2022 RMB'000
Profit/(loss) before taxation	**216,968**	(3,222,697)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable in the tax jurisdictions concerned	**72,233**	(784,508)
Tax effect of non-deductible expenses	**47,146**	33,042
Tax effect of non-taxable share of net profits of associates and joint ventures	**(2,114)**	414
Tax effect of non-taxable income	**(1,806)**	(4,166)
Tax effect of unused tax losses not recognised	**113,651**	551,669
Utilisation of previous unrecognised tax losses	**(81,293)**	(24,431)
PRC LAT in relation to properties sold	**4,633**	3,459
Over-provision of PRC LAT in prior years	**–**	(21,494)
Tax effect on PRC LAT	**(1,158)**	4,509
Actual tax expense/(credit)	**151,292**	(241,506)

7 DIRECTORS' EMOLUMENTS

Directors' emoluments are as follows:

	For the year ended 31 December 2023						
	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 *	1,160	486	–	19	1,665	–	1,665
Dr. Gang Yu	1,200	–	–	–	1,200	–	1,200
Executive directors:							
Mr. Qi Zhiping *	600	2,482	–	125	3,207	–	3,207
Mr. Yu Wei	217	1,746	–	26	1,989	–	1,989
Mr. Xia Lifeng (resigned on 1 January 2024)	217	41	–	–	258	–	258
Mr. Wei Zhe (resigned on 1 January 2023)	–	–	–	–	–	–	–
Independent non-executive directors:							
Mr. Cheung Ka Fai	435	–	–	–	435	–	435
Mr. Wu Ying	435	–	–	–	435	–	435
Mr. Zhu Zhengfu	435	–	–	–	435	–	435
	4,699	4,755	–	170	9,624	–	9,624

7 DIRECTORS' EMOLUMENTS *(Continued)*

Directors' emoluments are as follows: (Continued)

	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

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

7 DIRECTORS' EMOLUMENTS *(Continued)*

The details of these benefits in kind, including the principal terms and number of share award granted, are disclosed in note 28.

* Mr. Yan Zhi and Mr. Qi Zhiping perform 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" 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 (2022: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2022: two) individuals are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries and other emoluments	**3,664**	3,263
Discretionary bonuses	**–**	1,401
Retirement scheme contributions	**141**	133
Equity-settled share-based payment expenses	**–**	719
	3,805	5,516

The emoluments of two (2022: two) individuals with the highest emoluments are within the following bands:

	2023 **Number of individuals**	2022 Number of individuals
HK$1,500,001–HK$2,000,000	**1**	–
HK$2,500,001–HK$3,000,000	**1**	–
HK$3,000,001–HK$3,500,000	**–**	2

9 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the earnings/(loss) attribution to ordinary equity shareholders of the Company of approximately profit of RMB50,915,000 (2022: loss of RMB3,040,264,000) and the weighted average of 12,394,190,000 (2022: 12,189,798,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares (basic)

	2023 **'000**	2022 '000
Issued ordinary shares at 1 January	**12,399,506**	11,782,826
Effect of shares issued under Management Shares Award Scheme (see note 28(b))	**(5,316)**	(5,316)
Effect of shares issued under 2022 Shares Award Scheme (see note 28(c))	**–**	6,261
Effect of issue of shares	**–**	406,027
Weighted average number of ordinary shares at 31 December	**12,394,190**	12,189,798

(b) Diluted earnings/(loss) per share

The computation of diluted earnings/(loss) per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both 2023 and 2022.

Notes to
the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

10 INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	Completed investment properties RMB'000	Investment properties under development RMB'000	Total RMB'000
At 1 January 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
At 1 January 2023	**21,955,131**	**1,520,533**	**23,475,664**
Transfer from completed properties held for sale	**134,217**	**–**	**134,217**
Transfer from properties under development for sale	**–**	**11,228**	**11,228**
Transfer from assets held for sale	**268,273**	**106,402**	**374,675**
Fair value adjustments	**415,317**	**55,139**	**470,456**
At 31 December 2023	**22,772,938**	**1,693,302**	**24,466,240**
Representing:			
Cost	**9,130,756**	**873,734**	**10,004,490**
Fair value adjustments	**13,642,182**	**819,568**	**14,461,750**
	22,772,938	**1,693,302**	**24,466,240**
Book value:			
At 31 December 2023	**22,772,938**	**1,693,302**	**24,466,240**
At 31 December 2022	21,955,131	1,520,533	23,475,664

10 INVESTMENT PROPERTIES *(Continued)*

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

During the year ended 31 December 2023, 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 RMB120,150,000 (2022: RMB487,999,000) was recognised in profit or loss upon transfer.

As at 31 December 2023, the Group's investment portfolio with an aggregated carrying value of approximately RMB11,597,922,000 (2022: RMB10,341,008,000) were pledged as collateral for the Group's interest-bearing borrowings (note 25).

As at 31 December 2023, the ownership certificates for certain investment properties with the carrying amount of RMB3,254,533,000 (2022: RMB2,944,649,000) 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 investment properties.

(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 2023 RMB'000	Fair value measurements as at 31 December 2023 categorised into level 3 RMB'000
Recurring fair value measurement		
— investment properties	**24,466,240**	**24,466,240**

	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

During the years ended 31 December 2023 and 2022, 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 2023 and 2022. The valuations were carried out by an independent firm of surveyors, 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	5.0% (2022: 4.5%)
		Reversion yield	5.0% (2022: 5.0%)
		Market monthly rental rate (RMB/sq.m.)	7.7–118.5 (2022: 4.2–118)
		Occupancy rate	0%–95% (2022: 90%–95%)
Investment properties under development	Residual approach	Term yield	5.0% (2022: 5.0%–5.5%)
		Reversion yield	5.0% (2022: 5.5%–6.0%)
		Market monthly rental rate (RMB/sq.m.)	21–30 (2022: 26–74)
		Occupancy rate	0%–95% (2022: 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 gain/(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. The following table sets out the potential impact on the fair value of the investment properties arising from reasonably possible changes in the key assumptions. Each sensitivity assumes that all other variables are held constant.

	2023		2022	
	Increase RMB'000	**Decrease RMB'000**	Increase RMB'000	Decrease RMB'000
Reversion yield				
— 0.5% movement	**(1,877,000)**	**2,098,000**	(1,621,000)	1,802,000
— 1% movement	**(3,561,000)**	**4,448,000**	(3,049,000)	3,819,000
Market monthly rental rate (RMB/sq.m.)				
— 5% movement	**1,203,000**	**(1,203,000)**	1,053,000	(1,154,000)
— 10% movement	**2,407,000**	**(2,407,000)**	2,305,000	(2,310,000)
Occupancy rate				
— 5% decrease	**N/A**	**(1,323,000)**	N/A	(1,180,000)
— 10% decrease	**N/A**	**(2,646,000)**	N/A	(2,430,000)

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:

	2023 **RMB'000**	2022 RMB'000
Within 1 year	**114,842**	147,546
After 1 year but within 2 years	**97,828**	178,306
After 2 years but within 3 years	**156,813**	179,490
After 3 years but within 4 years	**174,348**	221,255
After 4 years but within 5 years	**217,121**	213,836
After 5 years	**250,370**	42,949
	1,011,322	983,382

Notes to
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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 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 and 1 January 2023	**276,111**	**31,059**	**25,648**	**143,685**	**28,072**	**504,575**
Additions	**8,045**	**44,728**	**1,614**	**6,579**	**40,865**	**101,831**
Transfer from assets held for sale	**5,985**	**828**	**1,081**	**812**	**–**	**8,706**
Transfer from construction in progress	**33,671**	**–**	**–**	**29,938**	**(63,609)**	**–**
Transfer from inventories	**12,879**	**–**	**–**	**–**	**–**	**12,879**
Disposals	**(4,387)**	**(22,557)**	**(1,879)**	**(2,052)**	**–**	**(30,875)**
Disposal of subsidiaries	**–**	**–**	**–**	**(2,396)**	**–**	**(2,396)**
At 31 December 2023	**332,304**	**54,058**	**26,464**	**176,566**	**5,328**	**594,720**
Accumulated depreciation:						
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
Eliminated on disposals	(10,309)	(21,640)	(2,353)	(1,347)	–	(35,649)
At 31 December 2022 and at 1 January 2023	**71,993**	**16,879**	**21,985**	**102,194**	**–**	**213,051**
Charge for the year	**14,807**	**17,434**	**1,704**	**15,204**	**–**	**49,149**
Transfer from assets held for sale	**852**	**709**	**992**	**812**	**–**	**3,365**
Eliminated on disposals	**(240)**	**(14,402)**	**(1,779)**	**(1,768)**	**–**	**(18,189)**
Eliminated upon disposal of subsidiaries	**–**	**–**	**–**	**(800)**	**–**	**(800)**
At 31 December 2023	**87,412**	**20,620**	**22,902**	**115,642**	**–**	**246,576**
Net book value:						
At 31 December 2023	**244,892**	**33,438**	**3,562**	**60,924**	**5,328**	**348,144**
At 31 December 2022	204,118	14,180	3,663	41,491	28,072	291,524

11 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The ownership certificates for certain buildings with net book value of RMB44,700,000 (2022: RMB45,363,000) 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 2023, the Group's buildings with carrying value of RMB64,199,000 (2022: RMB99,895,000) were pledged as collateral for the Group's interest-bearing borrowings and bills payable respectively (note 25).

(a) Right-of-use assets

	Notes	2023 RMB'000	2022 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)	**244,892**	204,118
Other properties leased for own use, carried at depreciated cost	(ii)	**33,438**	14,180
		278,330	218,298

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

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets:		
Ownership interests in leasehold land and buildings	**14,807**	12,476
Other properties leased for own use	**17,434**	12,838
Interest on lease liabilities (note 5(a))	**1,162**	418
Expense relating to short-term leases	**10,531**	11,470

During the year, additions to right-of-use assets were RMB52,773,000 (2022: RMB28,811,000). This amount primarily related to the capitalised lease payments payable under new tenancy agreements and purchase of ownership interests in leasehold land and building.

Details of land leases included in the carrying amount of inventories, total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19, 23(d) and 26, 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 2022	150,086	23,100	737,700	176,504	1,087,390
Additions	23,799	–	–	73	23,872
At 31 December 2022 and 1 January 2023	**173,885**	**23,100**	**737,700**	**176,577**	**1,111,262**
Additions	**38,976**	**–**	**–**	**–**	**38,976**
Disposals	**(8,486)**	**–**	**–**	**–**	**(8,486)**
Disposal of subsidiaries	**(3,759)**	**–**	**–**	**–**	**(3,759)**
At 31 December 2023	**200,616**	**23,100**	**737,700**	**176,577**	**1,137,993**
Accumulated amortisation:					
At 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 and 1 January 2023	**92,176**	**23,100**	**189,577**	**1,330**	**306,183**
Charge for the year	**25,004**	**–**	**20,042**	**134**	**45,180**
Eliminated on disposals	**(598)**	**–**	**–**	**–**	**(598)**
Eliminated upon disposal of subsidiaries	**(1,144)**	**–**	**–**	**–**	**(1,144)**
At 31 December 2023	**115,438**	**23,100**	**209,619**	**1,464**	**349,621**
Accumulated impairment loss:					
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	–	–	275,697	84,389	360,086
Net book value:					
At 31 December 2023	**85,178**	**–**	**252,384**	**90,724**	**428,286**
At 31 December 2022	81,709	–	272,426	90,858	444,993

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 CGU-Shenzhen Sinoagri which includes the Group's trademark with indefinite useful life (see note 13). In addition, the management also assessed the fair value of trademark which 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 16.88% (2022: 16.92%). The growth of royalty income was projected taking into account of Shenzhen Sinoagri's gross profit of 16.51% (2022: 16.15%) of next 5 years and a fixed royalty rate of 3.22% (2022: 4.00%) 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 2.00% (2022: 3.73%). 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 16.88% (2022: 16.92%) 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 2023 and 2022. As the trademark has been reduced to its recoverable amount of RMB90,400,000 (2022: RMB90,400,000), 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 2022, 31 December 2022 and 1 January 2023 and 31 December 2023	**1,771,367**
Accumulated impairment losses:	
At 1 January 2022	1,252,786
Impairment loss recognised	267,083
At 31 December 2022, 1 January 2023 and 31 December 2023	**1,519,869**
Carrying amount:	
At 31 December 2023	**251,498**
At 31 December 2022	251,498

Impairment tests for cash-generating units containing goodwill

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

	2023 RMB'000	2022 RMB'000
Shenzhen Sinoagri — business of supply chain management and trading of agriculture products	**251,113**	251,113
Others	**385**	385
	251,498	251,498

(Expressed in Renminbi unless otherwise indicated)

13 GOODWILL *(Continued)*

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 16.51% (2022: 16.15%). 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% (2022: 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 18.65% (2022: 21.05%). No impairment loss is considered necessary for goodwill for the year ended 31 December 2023 (2022: an impairment loss of RMB237,989,000 was recognised).

As at 31 December 2023, the estimated recoverable amount of the CGU-Shenzhen Sinoagri exceeded its carrying amount by approximately RMB105,119,000. Management has identified that a reasonably possible change in the three key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these three assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

In percent	Increase/ (decrease) required for carrying amount to equal recoverable amount 2023
Sales volume	**(3.60%)**
Gross profit margin	**(0.034%)**
Discount rate	**0.6%**

As at 31 December 2022, as the CGU-Shenzhen Sinoagri has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

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14 INTERESTS IN SUBSIDIARIES

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

Name of subsidiaries	Place of incorporation and business	Paid up issued/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Wuhan North Hankou Trade Market Investment Co., Ltd. (notes (i) and (ii)) 武漢漢口北商貿市場投資有限公司	The PRC	RMB378,600,000	100%	–	100%	Property development
Zall Investment Group Co., Ltd. (notes (i) and (ii)) 卓爾投資集團有限公司	The PRC	RMB100,000,000	100%	–	100%	Property development
Wuhan Big World Investment and Development Co., Ltd. (notes (i) and (ii)) 武漢大世界投資發展有限公司	The PRC	RMB100,000,000	100%	–	100%	Property development
Shenzhen Sinoagri (notes (i) and (iii)) 深圳市中農網有限公司	The PRC	RMB509,000,000	71.85%	–	71.85%	Supply chain management and trading business
Shenzhen Kunshang E-Sugar Supply Chain Co., Ltd. (notes (i) and (ii)) 深圳市昆商易糖供應鏈有限公司	The PRC	RMB80,000,000	47.76%	–	100%	Supply chain management and trading business
Guangxi Kangchen Shitang Trading Co., Ltd. (notes (i) and (ii)) 廣西康宸世糖貿易有限公司	The PRC	RMB50,000,000	47.76%	–	100%	Supply chain management and trading business

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14 INTERESTS IN SUBSIDIARIES *(Continued)*

			Proportion of ownership interest			
Name of subsidiaries	Place of incorporation and business	Paid up issued/ registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Guangxi Sugar Market Network CO., Ltd (notes (i) and (ii)) 廣西糖網食糖批發市場有限責任公司	The PRC	RMB50,000,000	47.76%	–	100%	Supply chain management and trading business
Shanghai Zall Steel E-commerce Co., Ltd. (notes (i) and (ii)) 上海卓鋼鏈電子商務有限公司	The PRC	RMB100,000,000	51%	–	51%	Supply chain management and trading business
Changzhou Sulai Trade Co., Ltd. (notes (i) and (ii)) 常州塑來貿易有限公司	The PRC	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.

	2023 RMB'000	2022 RMB'000
NCI percentage	**28.15%**	28.15%
As at 31 December		
Current assets	**16,323,716**	19,765,414
Non-current assets	**762,624**	724,988
Current liabilities	**15,774,993**	19,180,290
Non-current liabilities	**152,649**	146,026
Net assets	**1,158,698**	1,164,086
Carrying amount of NCI	**468,671**	447,514
For the year ended 31 December		
Revenue	**40,767,054**	43,008,487
Profit for the year before amortisation of intangible assets, impairment loss on intangible assets and equity-settled share-based payment expenses	**37,844**	75,368
Expense arisen from acquisition (after tax):		
— Amortisation of intangible assets	**(5,926)**	(5,926)
Profit for the year	**31,918**	69,442
Total comprehensive income for the year	**31,918**	69,442
Profit attributable to NCI	**26,440**	55,331
Dividend paid to NCI	**8,840**	–
For the year ended 31 December		
Net cash generated from operating activities	**230,105**	375,144
Net cash used in investing activities	**(32,083)**	(72,647)
Net cash generated from/(used in) financing activities	**286,755**	(81,152)

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 2023 and 2022. Aggregate information of the associates that are not individually material:

	2023 RMB'000	2022 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**282,648**	194,457
Aggregate amount of the Group's share of those associates'		
— Profit for the year	**9,191**	1,513
— Other comprehensive income for the year	**–**	–
— Total comprehensive income for the year	**9,191**	1,513

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 2023 and 2022. Aggregate information of the joint ventures that are not individually material:

	2023 RMB'000	2022 RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statement	**18,495**	19,230
Aggregate amount of the Group's share of the joint ventures'		
— Losses for the year	**(735)**	(835)
— Other comprehensive income for the year	**–**	–
— Total comprehensive expenses for the year	**(735)**	(835)

17 EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 RMB'000	2022 RMB'000
Equity securities designated at FVOCI		
— Unlisted equity securities	**3,000**	–

The unlisted equity securities are shares in a company incorporated in the PRC, which is held for strategic purposes. The directors have elected to designate these investments as equity instruments at FVOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run. No dividends were received on this investment during the year.

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

	2023 RMB'000	2022 RMB'000
Financial assets at FVPL		
Listed equity securities in Hong Kong		
— Fullshare Holding Limited	**6,748**	55,958
Listed equity securities in the United States		
— LightInTheBox	**1,115**	4,455
Wealth management products and trust products (note (i))	**222,326**	448,899
Forward contracts	**19,242**	151,656
Contingent consideration (note 31(f))		
— Acquisition of Shenzhen Sinoagri (note (ii))	**14,985**	23,824
	264,416	684,792
Financial liabilities at FVPL		
Forward contracts	**–**	77,380

Notes:

(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 RMB210,000,000 (2022: RMB385,000,000) were pledged as collateral for the Group's bills payable (note 24).

(ii) The amount represents the contingent consideration of acquisition of Shenzhen Sinoagri amounting to RMB14,985,000 as at 31 December 2023 (2022: RMB23,824,000). 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.

19 INVENTORIES

	2023 RMB'000	2022 RMB'000
Properties under development for sale (note (a))	**2,022,945**	1,951,005
Completed properties held for sale (note (b))	**1,155,006**	1,286,848
Commodities (note (c))	**1,601,736**	1,270,368
	4,779,687	4,508,221

(a) Properties under development for sale

The amount of properties under development for sale expected to be recovered after more than one year is RMB2,022,945,000 (2022: RMB1,951,005,000).

As at 31 December 2023, certain properties under development with an aggregate carrying value of RMB782,049,000 (2022: RMB233,860,000) was pledged as collateral for the Group's interest-bearing borrowings (note 25).

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

	2023 RMB'000	2022 RMB'000
In the PRC, with remaining lease term of:		
— Between 40–50 years	**306,166**	325,171

19 INVENTORIES *(Continued)*

(b) Completed properties held for sale

	2023 RMB'000	2022 RMB'000
Completed properties held for sale in the PRC	**1,155,006**	1,286,848

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

	2023 RMB'000	2022 RMB'000
In the PRC, with remaining lease term of:		
— 50 years or more	**13,294**	13,730
— Between 40–50 years	**38,292**	43,853
	51,586	57,583

Carrying amount of completed properties held for sale recognised as an expenses and included in profit or loss for the year ended 31 December 2023 is RMB27,000,000 (2022: RMB77,188,000).

The amount of completed properties held for sale expected to be recovered after more than one year is RMB1,155,006,000 (2022: RMB1,286,848,000).

As at 31 December 2023, completed properties held for sale with an aggregate carrying value of RMB200,514,000 (2022: RMB174,276,000) were pledged as collateral for the Group's interest-bearing borrowing (note 25).

19 INVENTORIES *(Continued)*

(c) Commodities

Commodities in the consolidated statement of financial position comprise:

	2023 RMB'000	2022 RMB'000
Supply chain management and trading business		
— Sugar	**440,049**	252,083
— Steel	**920,817**	871,224
— Chemical materials	**37,880**	30,926
— Others	**202,990**	116,135
	1,601,736	1,270,368

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

	2023 RMB'000	2022 RMB'000
Carrying amount of commodities sold	**124,307,321**	110,189,548

20 CONTRACT ASSET AND CONTRACT LIABILITIES

(a) Contract assets

	2023 RMB'000	2022 RMB'000
Contract assets		
Arising from performance under construction contracts	**30,418**	30,418
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (note 21)	**7,663,513**	5,990,370

The amount of contract assets that is expected to be recovered after more than one year is RMB30,418,000 (2022: RMB30,418,000).

20 CONTRACT ASSET AND CONTRACT LIABILITIES *(Continued)*

(b) Contract liabilities

	2023 RMB'000	2022 RMB'000
Properties development and related services		
— Forward sales deposits and instalments received	**153,330**	185,172
Supply chain management and trading		
— Deposits received from third parties	**10,215,382**	6,240,733
Others		
— Deposits received	**26,595**	27,599
	10,395,307	6,453,504

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 payoff 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.

— 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 RMB1,724,594,600 (2022: RMB1,508,309,000) 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.

20 CONTRACT ASSET AND CONTRACT LIABILITIES *(Continued)*

(b) Contract liabilities *(Continued)*

Movements in contract liabilities

	2023 RMB'000	2022 RMB'000
Balance at 1 January	**6,453,504**	3,475,656
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	**(6,203,842)**	(3,022,069)
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	**2,450**	7,002
Increase in contract liabilities as a result of accruing interest expense on advances	**1,704**	4,376
Net increase in contract liabilities as a result of receiving deposits in respect of commodities not yet delivered as at the year end	**10,141,491**	5,988,539
Balance at 31 December	**10,395,307**	6,453,504

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 RMB148,724,000 (2022: RMB144,157,000).

21 TRADE AND OTHER RECEIVABLES

	Note	2023 RMB'000	2022 RMB'000
Trade receivables, net of loss allowance	21(a)	**7,851,883**	8,351,748
Loans and factoring receivables, net of loss allowance	21(b)	**1,111,397**	966,372
		8,963,280	9,318,120
Advances to suppliers		**9,668,556**	5,533,980
Other receivables, deposits and prepayments		**1,423,566**	2,531,023
		20,055,402	17,383,123

As at 31 December 2023, other receivables of RMB28,770,000 (2022: RMB8,000,000) were pledged as collateral for the Group's interest-bearing borrowings (note 25).

(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:

	2023 RMB'000	2022 RMB'000
Within 6 months	**6,936,283**	5,407,412
Over 6 months but within 12 months	**675,199**	2,672,998
Over 12 months	**240,401**	271,338
	7,851,883	8,351,748

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

21 TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2023 RMB'000	2022 RMB'000
Secured loans receivables, net of loss allowance (Note)	**929,178**	827,903
Factoring receivables, net of loss allowance	**182,219**	138,469
	1,111,397	966,372

Note:

Secured loans receivables represent loans advanced to associates (note 34(c)) and third-parties which are 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:

	2023 RMB'000	2022 RMB'000
Within 6 months	**852,958**	767,653
Over 6 months but within 12 months	**89,587**	82,623
Over 12 months	**168,852**	116,096
	1,111,397	966,372

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 31(a)(ii).

22 PLEDGED BANK DEPOSITS

	2023 RMB'000	2022 RMB'000
Secured for letters of credit and bills payable (note 24)	**9,266,737**	10,203,994
Secured for bank loans (note 25)	**132,609**	–
Others	**241,962**	51,727
	9,641,308	10,255,721

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2023 RMB'000	2022 RMB'000
Cash at bank and on hand	**1,782,996**	1,341,318

At 31 December 2023, cash and cash equivalents and pledged bank deposits with an aggregate amount of RMB11,402,506,000 (2022: RMB11,423,365,000) was 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.

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

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

	Note	**2023 RMB'000**	2022 RMB'000
Profit/(loss) before taxation		**216,968**	(3,222,697)
Adjustments for:			
Amortisation of intangible assets	5(c)	**45,180**	46,504
Depreciation of property, plant and equipment	5(c)	**49,149**	38,144
Finance income	5(a)	**(324,345)**	(353,367)
Finance costs	5(a)	**619,563**	910,001
Net valuation (gain)/loss on investment properties		**(470,456)**	933,998
Net valuation loss on investment properties held for sale		**–**	5,251
Fair value changes on financial instruments at FVPL	4	**77,233**	(57,089)
Share of net profits of associates		**(9,191)**	(1,513)
Share of net losses of joint ventures		**735**	835
Equity-settled share-based payment expenses	5(c)	**–**	7,061
Net (gain)/loss on disposal of subsidiaries		**(41,312)**	1,423,797
Impairment loss on goodwill	13	**–**	267,083
Impairment loss recognised under expected credit loss model, net of reversal	5(b)	**104,554**	29,136
Others		**(579)**	(11,974)
Operating profit before changes in working capital		**267,499**	15,170
Increase in inventories		**(429,790)**	(475,813)
Increase in trade and other receivables		**(2,902,221)**	(4,556,675)
Increase in contract assets		**–**	(358)
Increase in trade and other payables		**1,162,239**	2,939,373
Increase in contract liabilities		**3,955,436**	2,974,946
Decrease in deferred income		**(2,809)**	(2,204)
Cash generated from operations		**2,050,354**	894,439

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

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated 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 2023	18,261,008	13,960	434,431	18,709,399
Changes from financial cash flows:				
Advance from related parties and non-controlling shareholders of subsidiaries	–	–	923,069	923,069
Repayment to related parties and non-controlling shareholders of subsidiaries	–	–	(336,854)	(336,854)
Proceeds from new bank loans and loans from other financial institutions	3,367,643	–	–	3,367,643
Repayment of bank loans and loans from other financial institutions	(6,350,075)	–	–	(6,350,075)
Proceeds from other loans	185,802	–	–	185,802
Repayment of other loans	(196,108)	–	–	(196,108)
Capital element of lease rentals paid	–	(24,705)	–	(24,705)
Interest expenses paid	(16,538)	(1,162)	–	(17,700)
Total changes from financing cash flows	(3,009,276)	(25,867)	586,215	(2,448,928)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	44,728	–	44,728
Reclassification of outstanding interest to other payable	(471,336)	–	–	(471,336)
Interest expenses	487,874	1,162	–	489,036
Total other changes	16,538	45,890	–	62,428
At 31 December 2023	15,268,270	33,983	1,020,646	16,322,899

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

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

	Interest-bearing borrowings RMB'000	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 and non-controlling shareholders of subsidiaries	–	–	990,450	990,450
Repayment to related parties and non-controlling shareholders of subsidiaries	–	–	(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

23 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:

	2023 RMB'000	2022 RMB'000
Within operating cash flows	**10,531**	11,470
Within investing cash flows	**8,045**	10,884
Within financing cash flows	**25,867**	19,673
	44,443	42,027

24 TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade and bills payables (note (a))	**13,961,086**	11,694,064
Receipts in advance (note (b))	**74,770**	68,010
Other payables and accruals	**3,891,332**	4,446,040
	17,927,188	16,208,114

The amount of receipts in advance expected to be settled after more than one year is approximately RMB11,004,000 (2022: RMB6,609,000). All the other trade and other payables are expected to be settled within one year or repayable on demand.

24 TRADE AND OTHER PAYABLES *(Continued)*

Notes:

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

	2023 RMB'000	2022 RMB'000
Within 6 months	**11,750,708**	6,305,494
Over 6 months but within 12 months	**1,218,824**	4,900,926
Over 12 months	**991,554**	487,644
	13,961,086	11,694,064

Assets of the Group pledged to secure the bills payable comprise:

	2023 RMB'000	2022 RMB'000
Pledged bank deposits (note 22)	**9,266,737**	10,203,994
Wealth management products and trust products (note 18)	**210,000**	385,000
	9,476,737	10,588,994

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

25 INTEREST-BEARING BORROWINGS

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

	2023 RMB'000	2022 RMB'000
Current		
Bank loans and loans from other financial institutions (note (a))	**5,388,490**	3,973,669
Other loans (note (b))	**646,965**	602,340
Loans from an entity controlled by Ultimate Controlling Party (note (c))	**20,000**	20,000
Discounted bank acceptance bills (note (d))	**4,349,610**	8,355,163
	10,405,065	12,951,172
Non-current		
Bank loans and loans from other financial institutions (note (a))	**1,016,900**	1,408,600
Other loans (note (b))	**3,846,305**	3,901,236
	4,863,205	5,309,836
	15,268,270	18,261,008

(a) Bank loans and loans from other financial institutions

At 31 December 2023, the bank loans and loans from other financial institutions were repayable as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year or on demand	**5,388,490**	3,973,669
After 1 year but within 2 years	**548,200**	858,600
After 2 years but within 5 years	**432,700**	459,000
After 5 years	**36,000**	91,000
	1,016,900	1,408,600
	6,405,390	5,382,269

25 INTEREST-BEARING BORROWINGS *(Continued)*

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

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

	2023 RMB'000	2022 RMB'000
Secured/guaranteed	**5,527,705**	4,357,140
Unsecured	**877,685**	1,025,129
	6,405,390	5,382,269

At 31 December 2023, certain bank loans and loans from other financial institutions of RMBnil (2022: RMB10,000,000) and RMB1,400,239,000 (2022: RMB535,123,000) were guaranteed by the Group's subsidiaries, respectively. Certain bank loans and loans from other financial institutions of RMB4,127,466,000 (2022: RMB3,800,017,000) are secured by the following assets of the Group:

	2023 RMB'000	2022 RMB'000
Pledged bank deposits (note 22)	**132,609**	–
Other receivables (note 21)	**28,770**	8,000
Investment properties and investment properties under development (note 10)	**11,597,922**	10,341,008
Properties under development (note 19(a))	**782,049**	233,860
Completed properties held for sale (note 19(b))	**200,514**	174,276
Properties, plant and equipment (note 11)	**64,199**	99,895
	12,806,063	10,857,039

Bank loans and loans from other financial institutions bear fixed interest ranging from 3.45% to 12.50% per annum as at 31 December 2023 (2022: 3.65% to 6.50%).

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 the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants and communicates with its lenders. Further details of the Group's management of liquidity risk are set out in note 31(b).

25 INTEREST-BEARING BORROWINGS *(Continued)*

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

As at 31 December 2023, none of the covenants relating to the Group's bank loans and loans from other financial institutions had been breached, except that the Group did not fulfil the financial covenants of bank loans and loans from other financial institutions of RMB1,277,849,000 (2022: RMB1,323,300,000). Among these balances, the Group has obtained notices from the corresponding banks and other financial institutions to waive the strict compliance with the financial covenants of loan balances of nil (2022: RMB38,900,000). The remaining balances of RMB1,277,849,000 (2022: RMB1,284,400,000) as at 31 December 2023 were repayable on demand as a result of the breach of financial covenants.

(b) Other loans

At 31 December 2023, other loans were repayable as follows:

	2023 **RMB'000**	2022 RMB'000
Within 1 year or on demand	**646,965**	602,340
After 1 year but within 2 years	**2,994,648**	1,963,464
After 2 years but within 5 years	**851,657**	1,937,772
	3,846,305	3,901,236
	4,493,270	4,503,576

As at 31 December 2023, other loans were unsecured (2022: unsecured) and bear fixed interest ranging from 4.00% to 12.00% (2022: 4.00% to 12.00%) per annum.

(c) Loans from an entity controlled by Ultimate Controlling Party are unsecured and bear fixed interest of 5% (2022: 5%) per annum as at 31 December 2023.

(d) The Group has discounted bank acceptance bills of RMB4,349,610,000 (2022: RMB8,355,163,000) as at 31 December 2023. 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.

26 LEASE LIABILITIES

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

	2023 **RMB'000**	2022 RMB'000
Within 1 year	**17,081**	10,828
After 1 year but within 2 years	**5,158**	2,343
After 2 years but within 5 years	**4,092**	789
More than 5 years	**7,652**	–
	16,902	3,132
	33,983	13,960

27 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

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

(Expressed in Renminbi unless otherwise indicated)

28 EQUITY-SETTLED SHARE-BASED PAYMENTS

(a) Share option scheme

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.

Upon the expiry of the share option scheme in 2021, no any further share option will be granted to Shenzhen Sinoagri Management team. A new share option scheme was approved and adopted on 28 May 2021 by the Company which is valid and effective for a period of 10 years whereby the directors of the Company are authorised, at their discretion, to grant options to subscribe for shares in the Company to eligible participants, including directors, eligible employees, advisors, consultants, agents, suppliers, customers and distributors who contributed to the success of the Company and/or any of its subsidiaries.

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. 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.

(Expressed in Renminbi unless otherwise indicated)

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

(a) Share option scheme *(Continued)*

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

	2023		2022	
	Weighted average exercise price HK$	**Number of options**	Weighted average exercise price HK$	Number of options
Outstanding at the beginning of the year	**8.48**	**45,667,950**	8.48	45,667,950
Lapsed during the year	**8.48**	**(30,120,543)**	8.48	–
Outstanding at the end of the year	**8.48**	**15,547,407**	8.48	45,667,950
Exercisable at the end of the year	**8.48**	**15,547,407**	8.48	15,547,407

At 31 December 2023, the options outstanding at 31 December 2023 had an exercise price of HK$8.48 (2022: HK$8.48) and the remaining contractual life of share option scheme is 4 years (2022: 5 years). No share options had been exercised, cancelled or lapsed during the years ended 31 December 2023 and 2022.

(b) 2017 Allotment of Share

Pursuant to an acquisition agreement dated 28 October 2016 (the "Acquisition Agreement"), on 22 December 2017, a total of 8,059,050 shares were allotted to Shenzhen Sinoagri Management team. The purposes of the allotment to Shenzhen Sinoagri Management team are 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 allotted shares will be released 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.

As at 31 December 2022, the number of outstanding management shares granted was 5,316,000 and management did not expect these shares would eventually vest. All these shares have been lapsed during the year ended 31 December 2023.

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

(c) Share Award Scheme

The Company adopted the share award scheme ("Share Award Scheme") on 10 December 2021. The board of directors, 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 of directors 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. Details of Share Award Scheme are set out in the Company's announcement dated 10 December 2021.

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 was 3 August 2022. The total fair value of the awarded shares was amounted to RMB7,061,000, which was determined by reference to the market price of the Company's shares on that date and was recognised in the consolidated statement of profit or loss for the year ended 31 December 2022. Details are set out in the Company's announcements dated 9 June 2022 and 3 August 2022.

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2023 **RMB'000**	2022 RMB'000
Current tax assets:		
PRC CIT	**26,855**	31,588
PRC LAT	**7,211**	7,220
	34,066	38,808
Current tax liabilities:		
PRC CIT	**416,783**	373,844
PRC LAT	**130,250**	125,000
	547,033	498,844

(b) Deferred tax assets and liabilities recognised:

	2023 **RMB'000**	2022 RMB'000
Deferred tax assets	**468,045**	419,367
Deferred tax liabilities	**(4,376,266)**	(4,217,781)
	(3,908,221)	(3,798,414)

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during both years 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
At 1 January 2022	37,807	(4,310,461)	54,641	(118,577)	267,989	9,445	(4,059,156)
(Charged)/credited to profit or loss	(4,617)	252,420	–	–	4,186	(1,393)	250,596
Transfer to liabilities directly associated with non-current assets held for sale	–	10,146	–	–	–	–	10,146
At 31 December 2022 and 1 January 2023	**33,190**	**(4,047,895)**	**54,641**	**(118,577)**	**272,175**	**8,052**	**(3,798,414)**
Credited/(charged) to profit or loss	**1,315**	**(117,615)**	**1,409**	**1,793**	**25,647**	**17,481**	**(69,970)**
Transfer from liabilities directly associated with non-current assets held for sale	**–**	**(39,837)**	**–**	**–**	**–**	**–**	**(39,837)**
At 31 December 2023	**34,505**	**(4,205,347)**	**56,050**	**(116,784)**	**297,822**	**25,533**	**(3,908,221)**

(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 RMB3,633,146,000 (2022: RMB3,826,893,000) as at 31 December 2023. 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 RMB3,628,807,000 (2022: RMB3,826,394,000) will expire in 5 to 10 years (2022: 5 to 10 years) under current tax legislation and the remaining tax losses have no expiring date.

(d) Deferred tax liabilities not recognised

As at 31 December 2023, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB14,058,785,000 (2022: RMB14,086,753,000). Deferred tax liabilities of RMB1,405,878,500 (2022: RMB1,408,675,300) 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.

30 CAPITAL, RESERVES AND DIVIDEND

(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 30(b))	Share premium RMB'000 (note 30(c)(i))	Shares held for various incentive plans RMB'000	Equity-settled share-based payment reserve RMB'000 (note 30(c)(iv))	Exchange reserve RMB'000 (note 30(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 and 1 January 2023	**34,454**	**4,766,905**	**(39,029)**	**51,987**	**13,521**	**(550,043)**	**4,277,795**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**22,119**	**(17,873)**	**4,246**
At 31 December 2023	**34,454**	**4,766,905**	**(39,029)**	**51,987**	**35,640**	**(567,916)**	**4,282,041**

30 CAPITAL, RESERVES AND DIVIDEND *(Continued)*

(b) Share capital

	2023 Number of shares ('000)	2023 Amount HK$'000	2022 Number of shares ('000)	2022 Amount HK$'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	**12,399,506**	**41,329**	11,782,826	39,275
Issuance of new shares (note (i))	**–**	**–**	600,000	1,998
Shares issued under Shares Award Scheme (note (ii))	**–**	**–**	16,680	56
At 31 December	**12,399,506**	**41,329**	12,399,506	41,329

	2023 RMB'000	2022 RMB'000
Shown on the consolidated financial statements	**34,454**	34,454

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 of 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 28(c).

30 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).

30 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Reserves *(Continued)*

(v) Other reserves

The balance primarily comprises capital reserve surplus/deficit arising from the difference between the deemed consideration and the corresponding net assets value at the respective date of the transactions with owners in their capacity as the equity owners.

(vi) Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately before its reclassification as investment property.

(vii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see note 1(g)).

(d) Capital management

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

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

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 fixed deposits with banks with original maturity over three months, pledged bank deposits and cash and cash equivalents. Adjusted capital comprises all components of equity.

During 2023, the Group's strategy, which was unchanged from 2022, 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.

30 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 was as follows:

	Note	2023 RMB'000	2022 RMB'000
Current liabilities:			
Interest-bearing borrowings	25	**10,405,065**	12,951,172
Lease liabilities	26	**17,081**	10,828
Non-current liabilities:			
Interest-bearing borrowings	25	**4,863,205**	5,309,836
Lease liabilities	26	**16,902**	3,132
Total debts		**15,302,253**	18,274,968
Less: Pledged bank deposits	22	**(9,641,308)**	(10,255,721)
Cash and cash equivalents	23	**(1,782,996)**	(1,341,318)
Adjusted net debts		**3,877,949**	6,677,929
Total equity attributable to equity shareholders of the Company		**13,804,261**	13,752,058
Adjusted net debt-to-capital ratio		**28.09%**	48.56%

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 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Categorises of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets:		
— at amortised cost	**32,434,149**	29,650,500
— designated at FVOCI	**3,000**	–
— at FVPL	**264,416**	684,792
Financial liabilities:		
— at amortised cost	**34,175,317**	34,849,503
— at FVPL	**–**	77,380

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, fixed deposits with banks with original maturity over three months, pledged bank deposits and bills receivable is limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 33, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 33.

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

(a) Credit risk *(Continued)*

(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.

31 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:

	2023						
	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%**	**7,705,003**	**–**	**7,705,003**	**93,521**	**–**	**93,521**
One to two years past due	**43%**	**183,827**	**–**	**183,827**	**78,649**	**–**	**78,649**
Two to three years past due	**68%**	**339,661**	**10,094**	**349,755**	**238,549**	**556**	**239,105**
Over three years past due	**90%**	**512,882**	**22,145**	**535,027**	**478,771**	**1,265**	**480,036**
		8,741,373	**32,239**	**8,773,612**	**889,490**	**1,821**	**891,311**

	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

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.

31 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 2023	**119,908**	**661,172**	**1,821**	**782,901**
Amounts written off during the year	**(2,781)**	**(15,965)**	**–**	**(18,746)**
Impairment losses recognised during the year (note 5(b))	**3,080**	**124,076**	**–**	**127,156**
Balance at 31 December 2023	**120,207**	**769,283**	**1,821**	**891,311**

	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(b))	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

31 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 determining whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

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

— The credit spread increases significantly;

— Significant changes with an adverse effect that have taken place in the counterparty's business, financial and economic status;

31 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)*

Evidence that a financial asset is credit impaired includes the following observable events: *(Continued)*

— Application of a grace period or debt-restructuring;

— Significant changes with an adverse effect in the counterparty's operating conditions;

— Less value of the collaterals (for the collateralised loans and pledged loans only);

— Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans;

— The payment is more than 30 days past due.

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;

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

(a) Credit risk *(Continued)*

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

Measurement of ECL (Continued)

Definition of "default" and "credit-impaired assets" *(Continued)*

Qualitative criterion *(Continued)*

The counterparty meets the criterion of "having difficulty in repayment", which indicates that the counterparty has significant financial difficulty, including: *(Continued)*

— the disappearance of an active market for the related financial asset because of financial difficulties faced by the counterparty;

— the creditor make concessions due to the financial difficulties faced by the counterparty;

— it becomes probable that the counterparty will enter bankruptcy;

— a higher discount was obtained during the acquisition of assets, and the assets has incurred credit loss when they are acquired.

The above criteria apply to all financial instruments of the Group and they are consistent with the definition of "default" adopted by the internal management of credit risk.

Notes to the 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.

31 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 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.

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.

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

(a) Credit risk *(Continued)*

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

Measurement of ECL (Continued)

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 33.

The credit quality of financial assets is analysed as follows:

(a) Analysed by nature

	2023 **RMB'000**	2022 RMB'000
Loans and factoring receivables		
Corporate loans	**939,667**	817,076
Corporate factoring	**161,923**	138,890
Personal business loans	**16,638**	17,533
Gross loans and factoring receivables	**1,118,228**	973,499
Accrued interest	**70,425**	66,165
Less: Allowances for impairment losses on loans and factoring receivables	**(77,256)**	(73,292)
Net loans and factoring receivables	**1,111,397**	966,372

31 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

	2023		
	Amount RMB'000	Percentage %	Loans and factoring receivables secured by collaterals RMB'000
Commodities trading	1,048,689	94	968,075
Others	52,901	5	52,901
Sub-total of corporate loans and factoring	1,101,590	99	1,020,976
Personal business loans	16,638	1	16,638
Gross loans and factoring receivables	1,118,228	100	1,037,614

31 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)*

	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

(c) Analysed by type of collateral

	2023 RMB'000	2022 RMB'000
Collateralised	**1,037,614**	960,871
Unsecured	**71,406**	12,628
Guarantee	**9,208**	–
Gross loans and factoring receivables	**1,118,228**	973,499
Accrued interest	**70,425**	66,165
Less: Allowances for impairment losses on loans and factoring receivables	**(77,256)**	(73,292)
Net loans and factoring receivables	**1,111,397**	966,372

31 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

	2023			
	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	**3,688**	**4,832**	**52,901**	**61,421**
As a percentage of gross loans and factoring receivables	**0.33%**	**0.43%**	**4.73%**	**5.49%**

	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%

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.

31 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

	2023			
	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	**991,433**	**52,352**	**74,443**	**1,118,228**
Accrued interest receivable	**44,993**	**24,179**	**1,253**	**70,425**
Less: Allowances for impairment losses	**(5,525)**	**(243)**	**(71,488)**	**(77,256)**
Carrying amount of loans and factoring receivables	**1,030,901**	**76,288**	**4,208**	**1,111,397**

	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

31 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

	2023 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	1,478	368	71,446	73,292
Charged for the year	4,047	–	42	4,089
Recoveries	–	(125)	–	(125)
As at 31 December	5,525	243	71,488	77,256

	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

31 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:

	2023 RMB'000	2022 RMB'000
Balance of financial assets that are assessed for expected credit losses over the next 12 months — Neither overdue nor credit-impaired	**991,433**	771,301
Balance of financial assets that are not credit impaired and assessed for lifetime expected credit losses — Neither overdue nor credit-impaired	**52,352**	131,441
Balance of credit-impaired financial assets that are assessed for lifetime expected credit losses — Overdue and credit-impaired	**74,443**	70,757
Accrued interest	**70,425**	66,165
Less: Allowances for impairment losses	**(77,256)**	(73,292)
Total	**1,111,397**	966,372

The fair value of collaterals held against loans and factoring receivables credit-impaired as at 31 December 2023 and 2022 amounted to RMB1,530,515,000 and RMB1,072,735,000 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.

31 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 12-month ECLs, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The 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.

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.

	2023		2022	
	Gross amount RMB'000	Loss allowance RMB'000	Gross amount RMB'000	Loss allowance RMB'000
Current or less than one year past due	**662,057**	**11,828**	1,333,456	53,227
One to two years past due	**248,373**	**27,272**	109,343	20,128
Two to three years past due	**107,926**	**8,038**	6,743	6,171
Over three years past due	**30,471**	**29,781**	23,728	23,610
Other receivables	**1,048,827**	**76,919**	1,473,270	103,136

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

	2023 RMB'000	2022 RMB'000
Balance at 1 January	**103,136**	84,351
Amounts written off during the year	**–**	(38,887)
Impairment losses (reversed)/recognised during the year (note 5(b))	**(26,217)**	57,672
Balance at 31 December	**76,919**	103,136

31 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.

Based on the above, loss allowance of RMB29,236,000 (2022: RMB29,236,000) has been recognised for amounts due from related parties and non-controlling shareholders of subsidiaries as at 31 December 2023.

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

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands subject to approval by the Company's management when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Note 1(b) explains management's plans for managing the liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

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:

	2023 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)	6,395,362	4,006,523	1,516,933	46,518	11,965,336	10,918,660
Trade and other payables (excluding receipts in advance)	17,852,418	–	–	–	17,852,418	17,852,418
Lease liabilities	18,259	5,821	5,250	8,179	37,509	33,983
Amounts due to related parties and non-controlling shareholders of subsidiaries	1,020,646	–	–	–	1,020,646	1,020,646
	25,286,685	4,012,344	1,522,183	54,697	30,875,909	29,825,707
Derivatives settled net:						
Forward contracts	–	–	–	–	–	–
Financial guarantees issue maximum amount	–	–	429,061	–	429,061	–

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

(b) Liquidity risk *(Continued)*

	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	9,905,845
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
Amounts 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	26,494,340
Derivatives settled net:						
Forward contracts	77,380	–	–	–	77,380	77,380
Financial guarantees issue maximum amount	–	–	519,817	–	519,817	–

Sensitivity analysis

Bank loans and loans from other financial institutions of RMB3,966,070,000 (2022: RMB3,325,017,000) were secured by the Group's certain investment properties, properties under development for sale and completed properties held for sale with total carrying amounts of RMB12,580,485,000 at 31 December 2023 (2022: RMB10,749,144,000). 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.

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable-rate and fixed-rate expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively.

The interest rates and terms of repayment of interest-bearing borrowings of the Group are disclosed in note 25 to the consolidated financial statements. The Group does not carry out any hedging activities to manage its interest rate exposure.

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

	2023 RMB'000	2022 RMB'000
Fixed-rate borrowings:		
Lease liabilities	**33,983**	13,960
Interest-bearing borrowings	**14,334,470**	16,653,761
	14,368,453	16,667,721
Variable-rate borrowings:		
Interest-bearing borrowings	**933,800**	1,607,247
Total borrowings	**15,302,253**	18,274,968
Fixed-rate borrowings as a percentage of total borrowings	**94%**	91%

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

(c) Interest rate risk *(Continued)*

Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and decrease/increase retained profits by approximately RMB3,502,000 (2022: increase/decrease the Group's loss after tax and decrease/increase retained profits by approximately RMB6,027,000) 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 profit/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 2022.

(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 2023 and 2022.

(e) Equity price risk

The Group is exposed to equity price changes arising from listed equity investments classified as financial assets at FVPL (see note 18).

The Group's listed investments are listed on The Stock Exchange of Hong Kong Limited 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.

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

(e) Equity price risk *(Continued)*

At 31 December 2023, 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 increased/decreased the Group's profit after tax (2022: decreased/increased the Group's loss after tax) and increased/decreased retained profits as follows:

	2023			2022		
	%	Effect on profit after tax RMB'000	Effect on retained profits RMB'000	%	Effect on loss after tax RMB'000	Effect on retained profits RMB'000
Relevant equity price:						
— Increased by	**10%**	**2,285**	**2,285**	10%	(8,424)	8,424
— Decrease by	**(10%)**	**(2,285)**	**(2,285)**	(10%)	8,424	(8,424)

The sensitivity analysis indicates the instantaneous change in the Group's profit/(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 2022.

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

(f) Fair value measurement

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 2023	Fair value measurements as at 31 December 2023 categorised into			Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 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	7,863	7,863	-	-	60,413	60,413	–	–
— Wealth management products and trust products	222,326	-	222,326	-	448,899	–	448,899	–
— Forward contracts	19,242	19,242	-	-	151,656	70,249	81,407	–
— Contingent consideration	14,985	-	14,985	-	23,824	–	23,824	–
— Equity investment at FVOCI	3,000	-	3,000	-	–	–	–	–
Liabilities								
— Forward contracts	-	-	-	-	77,380	–	77,380	–

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

(f) Fair value measurement *(Continued)*

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/ financial liabilities	Fair value as at 31 December 2023 RMB'000	Fair value as at 31 December 2022 RMB'000	Fair value hierarchy	Valuation Techniques and key inputs
Listed equity securities	**Assets 7,863**	Assets 60,413	Level 1	Quoted bid prices in an active market.
Wealth management product and trust products	**Assets 222,326**	Assets 448,899	Level 2	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.
Forward contracts	**Assets 19,242**	Assets 70,249	Level 1	Quoted bid prices in an active market.
Forward contracts	**N/A**	Assets 81,407 Liabilities 77,380	Level 2	Discounted cash flow. Future cash flows are estimated based on observable forward price at the end of the reporting period and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Contingent consideration	**Assets 14,985**	Assets 23,824	Level 2	Discounted cash flow. Future cash flows are estimated based on quoted bid prices in an active market at the end of the reporting period and discounted at a rate that reflects the credit risk of counterparties.
Equity investment at FVOCI	**Assets 3,000**	N/A	Level 2	Determined by the directors of the Company with reference to recent transaction price completed near to the year end.

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. During the years ended 31 December 2023 and 2022, there were no transfers between Level 1 and Level 2.

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 2023 and 2022.

32 COMMITMENTS

	2023 RMB'000	2022 RMB'000
Contracted but not provided for in the consolidated financial statements:		
— Capital expenditure in respect of investment properties under development	**93,043**	102,152
— Expenditure in respect of properties under development	**257,215**	374,993
	350,258	477,145

33 GUARANTEES

	2023 RMB'000	2022 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (a))	**137,056**	188,417
Other guarantees (note (b))	**292,005**	331,400
Total maximum guarantees issued	**429,061**	519,817

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.

33 GUARANTEES *(Continued)*

Notes: (Continued)

(b) For other financial guarantees, the aggregate amount of outstanding financial guarantees that the Group could be required to pay amounted to RMB292,005,000 as at 31 December 2023 (2022: RMB331,400,000). 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.

34 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:

	2023 **RMB'000**	2022 RMB'000
Wages, salaries and other benefits	**14,321**	22,109
Contributions to defined benefit retirement plans	**620**	617
Equity-settled share-based payment expenses recognised	**–**	2,821
	14,941	25,547

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

34 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2023 RMB'000	2022 RMB'000
(i) Advances from related parties and non-controlling shareholders of subsidiaries		
— Associates	**655,331**	677,116
— Joint ventures	**68**	11
— Entities controlled by Ultimate Controlling Party	**77,589**	290,143
— Key management personnel	**–**	3,312
— Non-controlling shareholders of subsidiaries	**–**	2
— Entities over which Ultimate Controlling Party has significant influence	**11**	19,866
(ii) Repayments to related parties and non-controlling shareholders of subsidiaries		
— Associates	**22,468**	623,146
— Entities controlled by Ultimate Controlling Party	**75,624**	91,228
— Key management personnel	**–**	3,961
— Non-controlling shareholders of subsidiaries	**1**	5,347
— Entities over which Ultimate Controlling Party has significant influence	**1,730**	10,691
(iii) Advances to related parties and non-controlling shareholders of subsidiaries		
— Associates	**216,439**	408,082
— Joint ventures	**676,091**	–
— Entities controlled by Ultimate Controlling Party	**31,259**	17,572
— Entities controlled by non-controlling shareholders of subsidiaries	**123,390**	–
— Key management personnel	**302**	45,015
— Non-controlling shareholders of subsidiaries	**12**	160
— Entities over which Ultimate Controlling Party has significant influence	**13,831**	1,924
(iv) Repayments from related parties and non-controlling shareholders of subsidiaries		
— Associates	**207,230**	321,623
— Joint ventures	**394,638**	–
— Entities controlled by Ultimate Controlling Party	**31,966**	18,071
— Entities controlled by non-controlling shareholders of subsidiaries	**120,468**	–
— Non-controlling shareholders of subsidiaries	**1,085**	124
— Entities over which Ultimate Controlling Party has significant influence	**522**	278

34 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

		2023 RMB'000	2022 RMB'000
(v)	Rental income		
	— Entities over which Ultimate Controlling Party has significant influence	**497**	142
	— Entities controlled by Ultimate Controlling Party	**60**	192
(vi)	Place deposits in		
	— A bank over which Ultimate Controlling Party has significant influence	**13,716,219**	2,482,800
	Withdraw deposits from		
	— A bank over which Ultimate Controlling Party has significant influence	**(13,674,325)**	(2,499,018)
(vii)	Sales of commodities to related parties and non-controlling shareholders of subsidiaries		
	— Associates	**3,237**	3,649
	— Entities controlled by Ultimate Controlling Party	**1,700**	853
	— Entities controlled by non-controlling shareholders of subsidiaries	**1,707**	–
	— Non-controlling shareholders of subsidiaries	**16**	1,071
(viii)	Purchase of commodities from related parties and non-controlling shareholders of subsidiaries		
	— Associates	**759**	88,998
	— Entities controlled by non-controlling shareholders of subsidiaries	**–**	450
	— Entities controlled by Ultimate Controlling Party	**2,690**	5,559
(ix)	Interest income received from related parties		
	— Associates	**14,625**	9,341
	— Joint ventures	**1,470**	2,215
(x)	Logistics and marketing service sold to related parties		
	— Associates	**–**	229

34 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2023 RMB'000	2022 RMB'000
Trade and other receivables (note 21(b))		
— Associates (i)	**9,124**	30,152
— Joint ventures (note (ii))	**273,550**	44,887
— Entities over which Ultimate Controlling Party has significant influence	**14,231**	5,607
— Entities controlled by non-controlling interests of subsidiaries	**21,060**	5,000
Cash and cash equivalents (note 23)		
— Entities over which Ultimate Controlling Party has significant influence	**206,507**	17,431
Interest-bearing borrowings (note 25)		
— Entities controlled by Ultimate Controlling Party	**20,000**	20,000

Notes:

(i) Loans advanced to associates as at 31 December 2023 bear interest of 2% (2022: 2%) per annum and are secured by certain agriculture products.

(ii) Loan advanced to joint ventures as at 31 December 2023 bear interest of 8.4% (2022: 8.4%) per annum.

34 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

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

	2023 RMB'000	2022 RMB'000
Amounts due from related parties and non-controlling shareholders of subsidiaries		
— Associates	**549,113**	553,541
— Joint ventures	**20,909**	–
— Non-controlling shareholders of subsidiaries	**274,334**	49,242
— Entities controlled by Ultimate Controlling Party	**33,207**	28,722
— Key management personnel	**1,902**	1,600
— Entities controlled by non-controlling shareholders of subsidiaries	**29,435**	4,999
— Entities over which Ultimate Controlling Party has significant influence	**15,025**	1,716
— Ultimate Controlling Party	**100**	100
	924,025	639,920

Amounts due from related parties and non-controlling shareholders of subsidiaries are unsecured and repayable on demand. As at 31 December 2023, amount due from an associate of RMB549,113,000 (2022: RMB553,541,000) bears interest at 8.40% (2022: 8.40%) per annum. All the other amounts due from related parties and non-controlling shareholders of subsidiaries as at 31 December 2023 and 2022 are interest-free.

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

	2023 RMB'000	2022 RMB'000
Amounts due to related parties and non-controlling shareholders of subsidiaries		
— Associates	**544,587**	516
— A joint venture	**68**	–
— Non-controlling shareholders of subsidiaries	**534**	482
— Entities controlled by Ultimate Controlling Party	**464,654**	419,904
— Ultimate Controlling Party	**3,900**	3,900
— Key management personnel	**226**	251
— Entities over which Ultimate Controlling Party has significant influence	**6,677**	9,378
	1,020,646	434,431

All the amounts due to related parties and non-controlling shareholders of subsidiaries as at 31 December 2023 and 2022 are unsecured, interest-free and repayable on demand.

35 DISPOSAL OF SUBSIDIARIES

(a) For the year ended 31 December 2023

On 30 November 2023, the Group's non-wholly subsidiary has completed the disposal of 2% equity interest in 深圳市數牧科技有限公司 ("Shumu Technology") to an independent third party at a consideration of RMB2,000,000. Following the completion of disposal, the Group ceased to have control on Shumu Technology and the remaining 49% equity interest held by the Group's non-wholly subsidiary is accounted for as an investment in an associate in the amount of RMB49,000,000. The Group has recognised a net gain of RMB41,312,000 from the above disposal, which is calculated as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	1,596
Intangible assets	2,615
Deferred tax assets	307
Trade and other receivables	70,451
Cash and cash equivalents	2,866
Trade and other payables	(45,028)
Contract liabilities	(13,633)
Current taxation	(178)
	18,996
Gain on disposal of a subsidiary:	
Consideration received and receivable	2,000
Fair value of residual investment retained	49,000
Net assets disposed of	(18,996)
Non-controlling interests	9,308
	41,312
Net cash outflow from disposal:	
Cash consideration	2,000
Less: cash and cash equivalents disposed of	(2,866)
	(866)

35 DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) For the year ended 31 December 2022

On 30 December 2022, the Group entered into an equity transfer agreement with an independent third party in relation to the disposal of entire equity interest of 卓爾發展(天津)有限公司 and its subsidiaries at a consideration of RMB1,001 million. Its principal business activity was property development and related services. The disposal was completed in December 2022. Details of the disposal were 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 was calculated as follows:

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

An analysis of the net inflow arising from disposal:

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

Notes to
the Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Interests in subsidiaries	14	**3,170,515**	3,170,515
Property, plant and equipment		**3,169**	5,274
Amounts due from subsidiaries		**1,098,172**	949,790
		4,271,856	4,125,579
Current assets			
Other receivables and prepayments		**568,724**	563,545
Cash and cash equivalents		**1,253**	872
		569,977	564,417
Current liabilities			
Other payables		**556,727**	407,011
Lease liabilities		**2,479**	2,165
		559,206	409,176
Net current assets		**10,771**	155,241
Total assets less current liabilities		**4,282,627**	4,280,820
Non-current liabilities			
Lease liabilities		**586**	3,025
NET ASSETS		**4,282,041**	4,277,795
CAPITAL AND RESERVES	30		
Share capital		**34,454**	34,454
Reserves		**4,247,587**	4,243,341
TOTAL EQUITY		**4,282,041**	4,277,795

37 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2023, 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.

38 COMPARATIVE FIGURES

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

Major
Properties Information

As at 31 December 2023

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	December-2025	Commercial	200,386	229,731	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	December-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	December-2024	Commercial	46,232	203,291	100%	93%

Major
Properties Information (continued)

As at 31 December 2023

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	325,418	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	21,027	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	39,825	100%
4	Zall Life City – Hupan Haoting Residences (Phase I & II)	Panlongcheng Economics and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Residential	80,800	100%
5	Portion of Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Shops	3,232	100%

Major
Properties Information (continued)

As at 31 December 2023

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	1,565,220	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	39,322	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	217,762	100%
4	North Hankou Logistics Center	Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan, Hubei Province, PRC	Logistics	Completed	Medium	41,923	100%
5	North Hankou Logistics Center	Jiangjunlu street, Dongxihu District, Wuhan, Hubei Province, PRC	Logistics	Under development	Medium	1,296	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	97,603	100%

Major Properties Information (continued)

As at 31 December 2023

	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	35,128	100%
9	Portion of Jingzhou Zall City	Jinan Zhen, Sanhong Village, Jingzhou District, Jingzhou City, Hubei Province, PRC	Commercial	Completed	Medium	61,605	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%
13	Portion of commercial stores of Zall Life	Te No. 1 Chutian Road, Panlongcheng Economic and Technology Development Zone, Huangpi District, Wuhan City, Hubei Province, PRC	Commercial	Completed	Medium	11,260	100%

Financial
Summary

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Result					
Revenue	**125,290,479**	110,906,215	104,551,813	72,769,426	72,898,756
Gross Profit	**846,638**	587,425	885,755	1,233,731	1,224,911
Net valuation gain/(loss) on investment properties	**470,456**	(933,998)	(240,711)	(420,879)	2,533,075
Profit/(loss) for the year attributable to:					
Equity shareholders of the Company	**50,915**	(3,040,264)	(1,326,854)	(1,260,450)	92,797
Non-controlling interests	**14,761**	59,073	(123,272)	(88,788)	(35,278)
Profit/(loss) for the year	**65,676**	(2,981,191)	(1,450,126)	(1,349,238)	57,519
Financial position					
Total assets	**63,778,674**	60,359,070	59,275,001	62,127,930	61,489,239
Total liabilities	**49,571,989**	46,210,964	42,495,660	43,793,474	41,866,765
Non-controlling interests	**402,424**	396,048	324,618	464,327	543,480
Total equity attributable to equity shareholders of the Company	**13,804,261**	13,752,058	16,454,723	17,870,129	19,078,994
Total Equity	**14,206,685**	14,148,106	16,779,341	18,334,456	19,622,474