

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



LOGISTICS

SUPPLY CHAIN FINANCE

WHOLESALE MARKET

DIGITAL CLOUD SERVICES

INDUSTRIAL E-COMMERCE

LIVE STREAMING

WAREHOUSING

Interim Report 2022



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-border 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.

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Corporate Information

DIRECTORS

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| Executive Directors | Mr. Yan Zhi (<i>Co-chairman and Co-chief executive officer</i>) Dr. Gang Yu (<i>Co-chairman</i>) Mr. Wei Zhe, David Mr. Qi Zhiping (<i>Co-chief executive officer</i>) Mr. Yu Wei Mr. Xia Lifeng |
| Independent Non-Executive Directors | Mr. Cheung Ka Fai Mr. Wu Ying Mr. Zhu Zhengfu |
| Registered Office | Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands |
| Head Office in the PRC | No. 1 Enterprise Community 1 Chutian Avenue Panlongcheng Economics and Technology Development Zone Wuhan, Hubei Province China 430000 |
| Principal Place of Business in Hong Kong | Suite 2101, 21st Floor Two Exchange Square Central Hong Kong |
| Audit Committee | Mr. Cheung Ka Fai (<i>Chairman</i>) Mr. Wu Ying Mr. Zhu Zhengfu |
| Nomination Committee | Mr. Wu Ying (<i>Chairman</i>) Mr. Yan Zhi Mr. Cheung Ka Fai |
| Remuneration Committee | Mr. Zhu Zhengfu (<i>Chairman</i>) Mr. Qi Zhiping Mr. Wu Ying |

Corporate Information (continued)

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| Risk Management Committee | Mr. Zhu Zhengfu (<i>Chairman</i>) Mr. Cheung Ka Fai Mr. Qi Zhiping |
| Company Secretary | Ms. Foo Man Yee, Carina |
| Company Website | http://www.zallcn.com/ |
| Authorised Representatives | Ms. Foo Man Yee, Carina Mr. Qi Zhiping |
| Hong Kong Share Registrar | Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road 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 Advisors | P. C. Woo & Co. Sidley Austin |
| Principal Bankers | China Construction Bank China Mingsheng Bank China Resources Bank of Zhuhai China Everbright Bank |

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"), I hereby present the interim report of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2022.

As a new form of economy, the digital economy has now become a new driver for high-quality economic development. Since the launch of its Internet transformation in full swing in 2015, Zall Smart has been enthusiastically building smart trading platforms driven by digital technology to offer services along the whole industry chain, including trading, logistics, storage, finance and supply chain management services for industries such as consumer goods, agricultural products, chemicals and plastics, ferrous metals, energy and cross-border trading. We have also been facilitating the digital transformation and upgrading of traditional trading and striving to become a globally leading digital trading platform.

In the first half of 2022, despite the impact of the external environment such as the fluid epidemic dynamics and volatile commodity industry, Zall Smart boosted the efficiency of its business operations through digital technology and refined management. By focusing on digital trading under the two scenarios of wholesale market and commodity trading, we continued to push ahead the integrated development of online and offline trading as well as domestic and foreign trade. We carried out transformation and upgrading of traditional industries using new technology and new models, and incorporated data and digital technology into every aspect of the industry chain incessantly. We promoted innovation and development to boost business efficiency and change the value chain of the industry, demonstrating our corporate value and further strengthening our influence in the industry.

Consolidating our foundation as a support for transformation and upgrading to expedite the establishment of a modern supply chain hub

Zall Smart started its business from industrial real estate and industrial wholesale, commerce and trading. After over a decade's meticulous operations, our North Hankou International Trade Centre ("North Hankou") has developed into a modern commerce, trading and logistics platform with the largest gross floor area and the second largest transaction amount nationwide. In recent years, Zall Smart proactively leveraged the Internet, focused on digital trading and intensively tapped into the industrial Internet industry, but offline physical markets represented by North Hankou still form an important cornerstone for Zall Smart to establish its presence in the nationwide supply chain services system, with ever growing supply chain capacity.

Based on the transformation and development philosophy of integrating the development of online and offline trading, domestic and foreign trade, wholesale and experiential consumption, and large trade fairs and physical markets, North Hankou continued to enrich its offerings. By now, it has established and operated 30 niche markets for products such as footwear, leatherware, branded clothing and hotel supplies with 32,000 active merchants.

In the first half of the year, as the epidemic became persistent, North Hankou continued to establish a digital trading venue for consumers and buyers to purchase and trade goods based on e-commerce live broadcasts and smart markets, driving the transformation and upgrading of merchants. North Hankou's live broadcast base is now equipped with a hall of over 10,000 square metres for product selection and 260 live broadcast rooms. In January, North Hankou held an online and offline festival for New Year's goods, drawing together 30 large niche markets covering all types of goods such as snacks, cosmetics, footwear and hats, clothing, daily necessities, non-staple food and fresh food, etc., and invited renowned hosts to market goods through live broadcast. In April, the Hubei session of the 4th Quality African Products Online Shopping Festival was held at North Hankou's live broadcast base, where great African products and quality Hubei products were marketed through live broadcast platforms such as Douyin and Kuaishou. During the 618 Shopping Festival of the year, the total turnover of goods at North Hankou's e-commerce live broadcast base exceeded RMB330 million, and nearly 30 stores recorded month-on-month growth of over 100%. In addition, the North Hankou Summer Stationery Expo was held in June with 600 standard booths set up to attract customers and merchants from Hubei and nearby provinces and cities for making purchases.

Chairman's Statement (continued)

Meanwhile, North Hankou promoted the integration of wholesale and experiential consumption by building a unique three-in-one commercial block integrating culture, commerce and tourism, comprising Hankou Town, Universal Town and Carnival Theme Park. In May of the year, Universal Town and Carnival Theme Park were officially put into operation. The planned Flower Town and Country Park are expected to be completed and put into operation in the year. Universal Town has 5 merchandise pavilions, namely Premium Bonded Imports Supermarket (綜保優品進口超市), European Pavilion (歐洲館), ASEAN Pavilion (東盟館), SCO Pavilion (上合館) and Xingdachang Outlet (興大倉折扣倉庫), and seven marketplaces including Blake Market (布萊克集市), Sahara Market (撒哈拉集市) and Home Furnishing Market (家居集市), introducing premium products from various places at source. North Hankou Carnival Theme Park covers an area of 10,000 square metres and is equipped with dozens of amusement rides and non-power entertainment facilities.

Going forward, North Hankou will focus on upgrading its distribution network, facilitating information exchange and enriching platform functions to build an important domestic modern supply chain hub, so that it can offer more products at better prices with higher efficiency.

Exerting efforts in various areas to intensively tap the industrial Internet and render services to the whole industry chain

Zall Smart has remained steadfast in offering digital and smart supply chain services such as warehousing, logistics and finance to upstream and downstream customers in the industry chain ever since the inception of its business philosophy of "connecting global business intelligently, and creating value for clients". In 2022, amid the increasingly complex and volatile external environment, Zall Smart adjusted its business strategy in a timely manner by continuously improving the business matrix ecosystem of its B2B platforms, receiving wide recognition from the market for its service capability and maintaining stable revenue.

Regarding online platforms, Shenzhen Sinoagri E-commerce Co., Ltd. ("Shenzhen Sinoagri"), as an integrated service platform for the entire agricultural industry chain under Zall Smart, has always adhered to its customer-oriented philosophy. It continued to promote digital transformation, and enhanced its trading platforms and systems through iterations. Its special project on Integrated Service Platform for Agricultural Product Supply Chain Big Data Based on the Integration of Three Industries was selected by the Ministry of Industry and Information Technology as a pilot demonstration project for industrial big data application. Driven by the two drivers of technology and business and with digital and smart services as the focus, Shanghai Zall Steel E-commerce Co., Ltd. (上海卓鋼鏈電子商務有限公司) ("Zall Steel") has been dovetailing production and demand by cooperating with upstream, midstream and downstream players of the industry and promoting the digital transformation and upgrading of the steel industry chain. Amid the outbreak of the epidemic, it took the lead in launching the Online and Offline Dual Supply Assurance model in the industry to help upstream and downstream players maintain normal operation and management, receiving widespread attention and praise from society. As a chemicals and plastics e-commerce platform capable of leading the future trend, HSH International Inc. ("HSH") built a supply chain service system for upstream and downstream players in the industry, including the use of digital technology to respond to the procurement needs of downstream processing players in a timely manner and the use of the self-developed SAAS system to link up the resources of upstream players for smooth logistics. HSH's Plastic Loan had provided relief for over 1,200 small and micro enterprises since it was launched a year ago. Meanwhile, it continued to launch innovative supply chain financial service products, building an ecosystem for the integrated development of industry and finance.

For cross-border trade, Zall Smart's Commodities Intelligence Centre ("CIC") has used digital technology such as blockchain to help control risks in international trade and improve transaction efficiency, offering one-stop solutions to upstream and downstream customers. Up to 30 June of the year, there were 11,800 registered users in total, with a transaction amount of nearly US\$17 billion, and its overall international trade business recorded revenue of RMB5,273 million, representing a significant year-on-year increase. This demonstrates that Zall Smart is making a big leap towards going international after establishing and consolidating its smart trading ecosystem domestically.

Zall Smart has initially built a closed loop for B2B transactions and an industrial Internet ecosystem. In the future, it will continue to enrich and improve the Zall Smart ecosystem, attain synergy and further boost operational efficiency.

Chairman's Statement (continued)

Relying on cohesion and concerted efforts to lead digital transformation and incessantly promoting change through technology

Statistics show that from 2012 to 2021, the scale of China's digital economy has grown from RMB11 trillion to RMB45.5 trillion, and the share of digital economy in gross domestic product has increased from 21.6% to 39.8%, representing a miniature of the trend of digital economy driving the quality development of the Chinese economy.

The platform business of Zall Smart also continued to broaden the application of digital technology. For instance, Zall Steel had enhanced its multi-dimensional and comprehensive smart warehousing and logistics system, which not only strengthened operation and management capability in warehousing and distribution, but also reduced traditional data transmission by paper to support the green development of the industry. For epidemic prevention and control, Shenzhen Sinoagri established exclusive areas in its online mall for anti-epidemic supplies assurance and distribution by using digital technology, and offered quality and diverse digital services to upstream and downstream players in the agricultural industry by relying on Internet technology. HSH adopted a digital smart supply chain system to avoid areas subject to prevention and control measures when matching warehouses and logistics and solved difficult problems in the supply and transportation of goods. In the future, Zall Smart will continue to step up research and development in digital technology and help enterprises reduce costs and boost efficiency, and further improve its capability in boosting the synergy of trading, warehousing, logistics and capital efficiency.

In view of the influence of its intensive efforts in developing digital trading over the years, business ethnics of undertaking social responsibility for public causes and achievements in promoting the digital transformation of traditional enterprises, Zall Smart received wide recognition from the market (including the capital market), the media and the public at large as well as various accolades and awards. It became a "Forbes Global 2000" company for the first time in the year, ranked No.132 on the "Fortune China Top 500 List" in 2022 and received the "Industrial Internet KiloPeaks Award — Double Hundred Billion Award".

Firmly holding onto its ideals and determined to innovate, Zall Smart will continue to step up research and development as well as application of digital technology, help enterprises further reduce costs and boost efficiency, and strengthen its capability in boosting the synergy of trading, warehousing, logistics and capital efficiency. Meanwhile, focusing on the vision of becoming a globally leading digital trading platform, we will continue to strengthen the digital, smart and international supply chain service capability of our digital trading transaction and service platforms, persevere in intensive development of the industry and continue to expand the penetration and application of digital supply chains in the industry, so that we can truly enable smooth and easy trading and seamless flow of elements.

Yan Zhi
Co-Chairman

Hong Kong, 31 August 2022

Management Discussion and Analysis

BUSINESS REVIEW

Consumer product-focused wholesale trading

With 32,000 merchants operating stably and mega market clusters with developed and developing area exceeding 6.8 million square metres in total, the Group's core project North Hankou has now formed 30 large niche market clusters covering hotel supplies, branded clothing, second-hand vehicles, small merchandise, bedding, footwear and leatherware, hardware and electrical products, labour protection supplies, non-staple food, etc. In the first half of 2022, North Hankou recorded a total transaction amount of approximately RMB26.7 billion, and attracted a number of renowned brands to settle in, including BYD, a new energy vehicle brand, Gaussian Robotics, a cleaning robot brand, Jingtian Yishang, a Han style clothing enterprise, Joeone, and Burger King, etc.

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



Management Discussion and Analysis (continued)

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

Supply chain management and trading

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

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

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

Management Discussion and Analysis (continued)

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

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

Management Discussion and Analysis (continued)

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

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

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

Management Discussion and Analysis (continued)

FUTURE PROSPECTS

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

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

IMPACT OF THE COVID-19 PANDEMIC

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

Management Discussion and Analysis (continued)

INVESTMENT PORTFOLIO

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

As at 30 June 2022

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

As at 31 December 2021

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

As at 30 June 2022, the Group held approximately 590,962,500 (31 December 2021: 590,962,500) shares in Fullshare, representing approximately 2.6% of its entire issued share capital (31 December 2021: 3.0%). Fullshare is listed on the Main Board of The Stock Exchange of Hong Kong Limited. Its principal activities are property development, tourism, investment, provision of healthcare products and services business and new energy business. The Group recognized an unrealised holding gain of approximately RMB5.5 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: an unrealised holding loss of approximately RMB28.1 million). The carrying amount of investment in Fullshare accounts for approximately 0.09% of the Group's total assets as at 30 June 2022 (31 December 2021: 0.09%). The Group would like to emphasize that the unrealised holding gain is non-cash in nature and relates to the change in fair value of the Group's investment in Fullshare that are volatile in nature. The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

Management Discussion and Analysis (continued)

RESULTS OF OPERATION

Operating revenue

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

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

Revenue from supply chain management and trading business

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

Rental income from investment properties

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

Management Discussion and Analysis (continued)

Revenue from financing income

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

Revenue from construction contracts

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

Revenue from sales of properties and related services

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

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

Cost of sales

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

Gross profit

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

Management Discussion and Analysis (continued)

Other net income

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

Selling and distribution expenses

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

Administrative and other expenses

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

Net valuation gain on investment properties

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

Finance income and costs

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

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

Management Discussion and Analysis (continued)

Share of net profits of associates

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

Share of net losses of joint ventures

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

Income tax

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

Profit for the period

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

Liquidity and capital resources

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

Cash position and treasury policies

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

Management Discussion and Analysis (continued)

Interest-bearing borrowings

The Group's total interest-bearing borrowings decreased by approximately 1.1% from approximately RMB17,709.4 million as at 31 December 2021 to approximately RMB17,514.5 million as at 30 June 2022. Majority of the interest-bearing borrowings were denominated in RMB, being the functional currency of the Group. Details of the interest rates and the maturity profile of borrowings during the six months ended 30 June 2022 are set out in note 18 of this report.

Net gearing ratio

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

Foreign exchange risk

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

Charge on assets

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

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

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

Significant investments held

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

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

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

Management Discussion and Analysis (continued)

Segment reporting

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

Contingent liabilities

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

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

CHANGES IN ACCOUNTING POLICIES

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

EVENT SUBSEQUENT TO END OF REPORTING PERIOD

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

On 9 June 2022, the Board and the Administration Committee have resolved to grant a total of 18,180,000 Awarded Shares to 93 Selected Employees pursuant to the Share Award Scheme adopted on 10 December 2021, among which, 7,200,000 Connected Awarded Shares were granted to 13 Connected Grantees and shall be satisfied by the allotment and issue of new Shares to the Trustee pursuant to the Specific Mandate and in accordance with the terms of the Scheme Rules. An EGM was held on 3 August 2022 and the ordinary resolutions relating to approving the grant of 5,700,000 Connected Awarded Shares to 12 Connected Grantees were duly passed by the Independent Shareholders. A total of 16,680,000 Awarded Shares were issued and allotted to the Trustee on 16 August 2022, representing approximately 0.1% of issued capital of the Company on 16 August 2022.

EMPLOYEES AND REMUNERATION POLICY

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

Management Discussion and Analysis (continued)

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

Disclosure of Other Information

SHARE OPTION SCHEMES

(a) Share Option Scheme adopted on 20 June 2011

Pursuant to the sole shareholder's resolutions of the Company on 20 June 2011, the Company has adopted a share option scheme for the purpose of providing incentives and rewards to Eligible Participants (as defined in paragraph 2 below) who contribute to the success of the Group's operations for a period of 10 years commencing on 20 June 2011 (the "Share Option Scheme"). The Share Option Scheme was expired on 20 June 2021.

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

1. Purpose of the Share Option Scheme

The Share Option Scheme is established to recognise and acknowledge the contributions of the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants (as defined below) an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme

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

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any Directors (including non-executive Directors and independent non-executive Directors) of the Company or any of its subsidiaries; and
- (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

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

As the Share Option Scheme expired on 20 June 2021, no further options can be granted under the Share Option Scheme since then. As at the date of this report, there are 45,667,950 outstanding share options, representing approximately 0.37% of the issued shares of the Company as at the date of this report.

Disclosure of Other Information (continued)

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

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

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2) and the disclaimer required under Rule 17.02(4) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"); and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting.

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

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

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

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

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

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 shall be determined by the Board but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of options; and (iii) the nominal value of an ordinary share.

9. The remaining life of the Share Option Scheme

The Share Option Scheme commenced on 20 June 2011 and expired on 20 June 2021.

Disclosure of Other Information (continued)

10. Movement of Share Options during the period under review

The Share Option Scheme was valid and effective for a period of 10 years commencing on 20 June 2011 and expired on 20 June 2021. Upon expiry of the Share Option Scheme, no further share options should be granted thereunder. The share options granted under the Share Option Scheme which remained outstanding immediately prior to the expiry of the Share Option Scheme shall be continued to be valid and exercisable in accordance with the terms of grant of the Share Option Scheme.

Particulars of share options under the Share Option Scheme (the "Share Options") outstanding at the beginning and at the end of the six months ended 30 June 2022 and Share Options exercised, cancelled or lapsed during such period are as follows:

| Category of participant | Date of Grant | Exercise price per share | Vesting date and exercise period | Options to subscribe for shares of the Company | | | | | Balance as at 30 June 2022 | Price per Share immediately before the date of grant | Price per Share on exercise date |
|--------------------------|------------------|--------------------------|---|--|---------------------------|-----------------------------|-----------------------------|--------------------------|----------------------------|--|----------------------------------|
| | | | | Balance as at 1 January 2022 | Granted during the period | Exercised during the period | Cancelled during the period | Lapsed during the period | | | |
| Directors: | | | | | | | | | | | |
| Mr. Qi Zhiping | 22 December 2017 | HK\$8.48 | From the date when the exercise conditions are met to 21 December 2027 (Note 1) | 2,283,398 | -Nil- | -Nil- | -Nil- | -Nil- | 2,283,398 | HK\$8.46 | N/A (Note 2) |
| Spouse of Mr. Qi Zhiping | 22 December 2017 | HK\$8.48 | From the date when the exercise conditions are met to 21 December 2027 (Note 1) | 41,101,154 | -Nil- | -Nil- | -Nil- | -Nil- | 41,101,154 | HK\$8.46 | N/A (Note 2) |
| Employees of the Group | 22 December 2017 | HK\$8.48 | From the date when the exercise conditions are met to 21 December 2027 (Note 1) | 2,283,398 | -Nil- | -Nil- | -Nil- | -Nil- | 2,283,398 | HK\$8.46 | N/A (Note 2) |
| Total | | | | 45,667,950 | -Nil- | -Nil- | -Nil- | -Nil- | 45,667,950 | | |

Notes:

- 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.
- No Share Options had been exercised, cancelled or lapsed during the six months ended 30 June 2022.

Save as disclosed above, there were no outstanding Share Options at the beginning and/or at the end of the six months ended 30 June 2022.

Disclosure of Other Information (continued)

(b) Share Option Scheme adopted on 28 May 2021

On 28 May 2021, the Company passed an ordinary resolution to adopt a new share option scheme (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). 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 as at the date of this report.

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:

Disclosure of Other Information (continued)

- (i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 17.02(2) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting.

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

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

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

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

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

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

8. The basis of determining the exercise price

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

- (i) the official closing price of the shares as stated in the Stock Exchange daily quotation sheets on the date of grant of options;
- (ii) the average of the official closing prices of the shares as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of grant of options; and
- (iii) the nominal value of a share.

9. The remaining life of the 2021 Share Option Scheme

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

As at the date of this report, no share option has been granted, expired, lapsed, exercised or cancelled under the 2021 Share Option Scheme.

Disclosure of **Other Information (continued)**

SHARE AWARD SCHEME

Reference is made to the announcement of the Company dated 10 December 2021 in relation to the adoption of the Share Award Scheme. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the said announcement.

The Company adopted the Share Award Scheme on 10 December 2021. 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.

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 ("Ordinary Shares") in the capital of the Company.

In general, the Company will entrust the Trustee to hold the Awarded Shares on behalf of the relevant Selected Employees on trust, until such Awarded Shares are vested with the relevant Selected Employees in accordance with the Scheme Rules and the Trust Deed. The Administration Committee would, from time to time, at its absolute discretion select any Employee (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.

Please also refer to the paragraph headed "Event Subsequent to End of Reporting Period" of the "Management Analysis and Discussion" section in this report for further details of the grant of Awarded Shares on 9 June 2022, and the allotment and issue of new Shares to the Trustee on 16 August 2022.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

Disclosure of Other Information (continued)

CHANGES IN INFORMATION OF DIRECTORS

The changes in information of Directors as notified to the Company since the Company's last published annual report are as follows:

1. Mr. Yan Zhi ceased to act as 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), in May 2022.
2. Mr. Wei Zhe, David was appointed as a director of Vision Deal HK Acquisition Corp. in January 2022 and redesignated as the chairman of its board and executive director in February 2022. Such company was subsequently listed on the Main Board of the Stock Exchange (stock code: 7827) in June 2022. Besides, he was appointed as an independent director of Polestar Automotive Holding UK PLC, which is listed on NASDAQ, in June 2022.
3. Mr. Wu Ying was appointed as an independent non-executive director of JD Health International Inc., which is listed on the Main Board of the Stock Exchange (stock code: 6618), in April 2022; and as an independent director of BEST Inc., which is listed on the New York Stock Exchange, in May 2022. Besides, he ceased to act as an independent non-executive director of Zhong An Online P & C Insurance Co., Ltd., which is listed on the Main Board of the Stock Exchange (stock code: 6060), in March 2022; and as 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, in April 2022.
4. Mr. Zhu Zhengfu was appointed as 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, in May 2022. Besides, he ceased to act as 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 Shanghai Stock Exchange, in May 2022.

Save as disclosed above, there is no change in the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

Disclosure of Other Information (continued)

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

As at 30 June 2022, the interests or short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "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 entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Interests in shares and underlying shares of the Company

| Name of Director | Nature of interest | Number of ordinary shares/ underlying shares held | Approximate percentage of shareholding as at 30 June 2022 ⁽³⁾ |
|--------------------|-------------------------------------|--|--|
| Mr. Yan Zhi | Interest of controlled corporations | 8,619,250,868 (L) ⁽¹⁾ | 69.61% |
| | Beneficial owner | 75,333,000 (L) | 0.61% |
| Dr. Gang Yu | Beneficial owner | 90,960,840 (L) | 0.73% |
| | Interest of spouse | 11,800,000 (L) | 0.10% |
| Mr. Wei Zhe, David | Beneficial owner | 270,000 (L) | 0.00% |
| Mr. Qi Zhiping | Beneficial owner | 6,066,351 (L) ^{(2)(a)} | 0.05% |
| | Interest of spouse | 48,664,298 (L) ^{(2)(b)} | 0.39% |
| Mr. Yu Wei | Beneficial owner | 290,000 (L) | 0.00% |
| Mr. Xia Lifeng | Beneficial owner | 898,000 (L) | 0.01% |
| Mr. Cheung Ka Fai | Beneficial owner | 180,000 (L) | 0.00% |
| Mr. Wu Ying | Beneficial owner | 180,000 (L) | 0.00% |
| Mr. Zhu Zhengfu | Beneficial owner | 180,000 (L) | 0.00% |

(L) represents long position.

Notes:

- (1) The 7,309,850,268 shares and 1,309,400,600 shares are held by Zall Development Investment Company Limited ("Zall Development Investment") and Zall Holdings Company Limited ("Zall Holdings"), respectively. Both companies are wholly owned by Mr. Yan Zhi.
- (2) (a) These interests comprise 3,782,953 shares and 2,283,398 underlying shares in respect of share options granted by the Company pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes".
(b) These interests comprise 7,563,144 shares and 41,101,154 underlying shares in respect of share options granted by the Company to the spouse of Mr. Qi Zhiping pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes". By virtue of the SFO, Mr. Qi Zhiping is deemed to be interested in the shares held by his spouse.
- (3) The percentages are calculated based on the total number of shares of the Company in issue as at 30 June 2022 which was 12,382,825,800.

Disclosure of Other Information (continued)

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executive of the Company and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as is known to any Director, as at 30 June 2022, the following persons, other than a Director or chief executive of the Company, had or deemed or taken to have an interest or short position in the shares or underlying shares of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name | Nature of interest | Number of ordinary shares/ underlying shares held | Approximate percentage of shareholding as at 30 June 2022 ⁽³⁾ |
|--|------------------------------------|--|--|
| <i>Substantial shareholder</i> | | | |
| Zall Development Investment | Beneficial owner | 7,309,850,268 (L) ⁽¹⁾ | 59.03% |
| Zall Holdings | Beneficial owner | 1,309,400,600 (L) ⁽¹⁾ | 10.57% |
| <i>Other persons</i> | | | |
| China Huarong Asset Management Co., Ltd. | Interest of controlled corporation | 685,689,000 (L) ⁽²⁾ | 5.54% |
| Huarong Huaqiao Asset Management Co., Ltd. | Interest of controlled corporation | 685,689,000 (L) ⁽²⁾ | 5.54% |

(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 30 June 2022 which was 12,382,825,800.

Disclosure of Other Information (continued)

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

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

Save as disclosed above, as at 30 June 2022, the Company had not been notified by any person, other than a Director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

ISSUE OF EQUITY SECURITIES

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

The following table sets forth the details of net proceeds utilised by the Group as of 30 June 2022:

| | Net proceeds from the subscription HK\$'000 | Net proceeds utilised up to 30 June 2022 HK\$'000 | Unutilised net proceeds as at 30 June 2022 HK\$'000 | Expected timeline for unutilised net proceeds |
|--|--|--|---|--|
| (i) Working capital for conducting the Group's commodity trading business | 185,000 | 185,000 | – | N/A |
| (ii) Working capital for the upgrade of the Group's existing digitalised platform | 15,000 | 1,100 | 13,900 | By 31 December 2022 |
| (iii) General corporate purposes, including but not limited to the payment of staff costs, directors' remuneration, professional advisers' fees and lease expenses | 99,800 | 91,000 | 8,800 | By 31 December 2022 |
| | 299,800 | 277,100 | 22,700 | |

Disclosure of Other Information (continued)

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

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

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DEED OF NON-COMPETITION

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 30 June 2022, except North Hankou Zall Life City — Phase II, all of the Remaining Non-core Projects (as defined in the Restructuring Circular) have been disposed of. North Hankou Zall Life City — Phase II is a residential project with gross floor area of approximately 207,000 square metres in North Hankou region. The project has been substantially completed and most of the properties have been sold, with approximately 46,000 square metres remaining. The Group will sell the remaining properties in line with market conditions.

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

Disclosure of **Other Information (continued)**

REVIEW OF THE INTERIM REPORT

The interim financial report for the six months ended 30 June 2022 is unaudited and has not been reviewed by the auditors of the Company, but has been reviewed by the audit committee of the Company (the "Audit Committee"). The Audit Committee has reviewed with the management of the Company the Group's unaudited condensed consolidated interim results and financial report for the six months ended 30 June 2022 and has also reviewed and confirmed the accounting principles and practises adopted by the Group and discussed the auditing, internal control, risks management and financial reporting matters of the Group.

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, risk management and internal control systems of the Company and to assist the Board to fulfil its responsibilities over audit.

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

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

INTERIM DIVIDEND

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

DIRECTORS

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

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

Hong Kong, 31 August 2022

Consolidated Statement of Profit or Loss

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

| | Note | Six months ended 30 June | |
|---|------|--------------------------|-----------------|
| | | 2022 RMB'000 | 2021 RMB'000 |
| Revenue | 3(a) | 49,930,636 | 50,160,278 |
| Cost of sales | | (49,640,259) | (49,553,670) |
| Gross profit | | 290,377 | 606,608 |
| Other net income | 4 | 101,614 | 18,707 |
| Selling and distribution expenses | | (88,472) | (95,562) |
| Administrative and other expenses | | (248,071) | (289,779) |
| Impairment gain/(loss) on trade and other receivables | | 130,481 | (16,466) |
| Gain from operations before changes in fair value of investment properties | | 185,929 | 223,508 |
| Net valuation(loss)/gain on investment properties | 8 | (14,872) | 2,441 |
| Profit from operations | | 171,057 | 225,949 |
| Finance income | 5(a) | 168,632 | 135,804 |
| Finance costs | 5(a) | (295,183) | (332,689) |
| Share of net profits of associates | | 5,252 | 25,331 |
| Share of net losses of joint ventures | | (358) | (690) |
| Profit before taxation | 5 | 49,400 | 53,705 |
| Income tax | 6 | (18,398) | (21,303) |
| Profit for the period | | 31,002 | 32,402 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 78 | 30,865 |
| Non-controlling interests | | 30,924 | 1,537 |
| Profit for the period | | 31,002 | 32,402 |
| Earnings per share (RMB cents) | | | |
| Basic | 7(a) | 0.00 | 0.26 |
| Diluted | 7(b) | 0.00 | 0.26 |

The notes on pages 39 to 78 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in notes 20(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

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

The notes on pages 39 to 78 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2022 — unaudited

(Expressed in Renminbi)

| | Note | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|--|-------|----------------------------------|--------------------------------------|
| Non-current assets | | | |
| Investment properties | 8 | 24,962,401 | 24,180,965 |
| Property, plant and equipment | 9 | 276,743 | 278,895 |
| Intangible assets | | 439,894 | 467,625 |
| Goodwill | 10 | 518,581 | 518,581 |
| Interests in associates | | 194,874 | 192,578 |
| Interests in joint ventures | | 19,693 | 20,065 |
| Contract assets | 11(a) | 30,418 | 30,060 |
| Deferred tax assets | | 384,395 | 405,409 |
| | | 26,826,999 | 26,094,178 |
| Current assets | | | |
| Financial assets at fair value through profit or loss | 12 | 817,184 | 1,453,417 |
| Inventories | 13 | 4,010,722 | 3,803,923 |
| Prepaid taxes | | 39,418 | 28,730 |
| Trade and other receivables | 14 | 13,111,081 | 11,563,191 |
| Amounts due from related parties | 24(c) | 588,666 | 507,263 |
| Pledged bank deposits | 15 | 10,821,338 | 9,045,655 |
| Cash and cash equivalents | 16 | 1,309,371 | 1,095,766 |
| | | 30,697,780 | 27,497,945 |
| Assets held for sale | | 5,653,395 | 5,682,878 |
| | | 36,351,175 | 33,180,823 |
| Current liabilities | | | |
| Financial liabilities at fair value through profit or loss | 12 | 196,636 | 95,149 |
| Trade and other payables | 17 | 15,014,525 | 13,637,380 |
| Contract liabilities | 11(b) | 5,370,776 | 3,475,656 |
| Lease liabilities | | 9,499 | 14,307 |
| Amounts due to related parties | 24(c) | 281,264 | 178,354 |
| Interest-bearing borrowings | 18 | 13,605,211 | 13,320,148 |
| Current taxation | | 499,421 | 501,574 |
| | | 34,977,332 | 31,222,568 |
| Liabilities associated with assets held for sale | | 2,642,903 | 2,404,767 |
| | | 37,620,235 | 33,627,335 |
| Net current liabilities | | (1,269,060) | (446,512) |
| Total assets less current liabilities | | 25,557,939 | 25,647,666 |

Consolidated Statement of Financial Position (continued)

At 30 June 2022 — unaudited
(Expressed in Renminbi)

| | Note | At 30 June 2022 RMB'000 | At 31 December 2021 RMB'000 |
|--|------|----------------------------------|--------------------------------------|
| Non-current liabilities | | | |
| Interest-bearing borrowings | 18 | 3,909,273 | 4,389,227 |
| Deferred income | | 6,860 | 8,309 |
| Lease liabilities | | 5,298 | 6,224 |
| Deferred tax liabilities | | 4,531,477 | 4,464,565 |
| | | 8,452,908 | 8,868,325 |
| NET ASSETS | | 17,105,031 | 16,779,341 |
| CAPITAL AND RESERVES | | | |
| Share capital | 20 | 34,406 | 32,733 |
| Reserves | | 16,710,487 | 16,421,990 |
| Total equity attributable to equity shareholders of the Company | | 16,744,893 | 16,454,723 |
| Non-controlling interests | | 360,138 | 324,618 |
| TOTAL EQUITY | | 17,105,031 | 16,779,341 |

Approved and authorised for issue by the Board of Directors on 31 August 2022.

Yan Zhi
Co-chairman, Executive Director and
Co-chief executive officer

Qi Zhiping
Executive Director and
Co-chief executive officer

The notes on pages 39 to 78 form part of this interim financial report.

Consolidated Statement of Changes in Equity

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

| | Attributable to equity shareholder of the Company | | | | | | | | | | | | |
|--|---|---------------|-------------------------|-------------------|-----------------------|---------------|------------------|---------------------|--|--------------------|------------------|---------------------------|--------------|
| | Share capital | Share premium | Shares held for various | | PRC statutory reserve | Other reserve | Exchange reserve | Revaluation reserve | Equity-settled share-based payment reserve | Fair value reserve | | Non-controlling interests | Total equity |
| | | | Incentive plan | statutory reserve | | | | | | (non-recycling) | Retained profits | | |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2021 | 32,733 | 4,512,318 | (39,029) | 535,551 | 234,066 | (144,792) | 36,946 | 53,700 | (2,848) | 12,651,484 | 17,870,129 | 464,327 | 18,334,456 |
| Changes in equity for the six months ended 30 June 2021 | | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | - | - | 30,865 | 30,865 | 1,537 | 32,402 |
| Other comprehensive income: | | | | | | | | | | | | | |
| Share of other comprehensive income of an associate | - | - | - | - | - | 917 | - | - | - | - | 917 | - | 917 |
| Exchange differences on translation of financial statements of operations outside Mainland China | - | - | - | - | - | (6,568) | - | - | - | - | (6,568) | (105) | (6,673) |
| Total comprehensive income | - | - | - | - | - | (5,651) | - | - | - | 30,865 | 25,214 | 1,432 | 26,646 |
| Appropriation to statutory reserve | - | - | - | 7,868 | - | - | - | - | - | (7,868) | - | - | - |
| Equity-settled share-based payment for employee | - | - | - | - | (98) | - | - | 315 | - | - | 217 | 98 | 315 |
| Disposal of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (6,955) | (6,955) |
| Capital injection from non-controlling interest of subsidiaries | - | - | - | - | 1,616 | - | - | - | - | - | 1,616 | 1,635 | 3,251 |
| Balance at 30 June 2021 | 32,733 | 4,512,318 | (39,029) | 543,419 | 235,584 | (150,443) | 36,946 | 54,015 | (2,848) | 12,674,481 | 17,897,176 | 460,537 | 18,357,713 |
| 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 |
| Changes in equity for the six months ended 30 June 2022 | | | | | | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | - | - | - | 78 | 78 | 30,924 | 31,002 |
| Other comprehensive income: | | | | | | | | | | | | | |
| Share of other comprehensive income of an associate | - | - | - | - | - | 15 | - | - | - | - | 15 | - | 15 |
| Exchange differences on translation of financial statements of operations outside Mainland China | - | - | - | - | - | 40,830 | - | - | - | - | 40,830 | (239) | 40,591 |
| Total comprehensive income | - | - | - | - | - | 40,845 | - | - | - | - | 40,923 | 30,685 | 71,608 |
| Appropriation to statutory reserve | - | - | - | 550 | - | - | - | - | - | (550) | - | - | - |
| Issue of shares | 1,673 | 247,574 | - | - | - | - | - | - | - | - | 249,247 | - | 249,247 |
| Capital injection from non-controlling interest of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | 4,835 | 4,835 |
| Balance at 30 June 2022 | 34,406 | 4,759,892 | (39,029) | 538,788 | 163,895 | (107,809) | 36,946 | 51,991 | (9,375) | 11,315,188 | 16,744,893 | 360,138 | 17,105,031 |

The notes on pages 39 to 78 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

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

| | Note | Six months ended 30 June | |
|---|------|--------------------------|------------------|
| | | 2022 RMB'000 | 2021 RMB'000 |
| Operating activities | | | |
| Cash generated/(used in) from operations | | 1,062,217 | 1,365,770 |
| Income tax paid | | (20,552) | (19,829) |
| Net cash generated from operating activities | | 1,041,665 | 1,345,941 |
| Investing activities | | | |
| Payment for the purchase of property, plant and equipment and investment properties | | (10,616) | (41,863) |
| Payment for the purchase of intangible assets | | (20,947) | (20,951) |
| Proceeds from disposal of property, plant and equipment | | 2,300 | 43 |
| Proceeds from disposal of intangible assets | | 9,076 | 3,106 |
| Interest received | | 54,260 | 128,729 |
| Cash paid for acquisition of subsidiaries | | – | (400) |
| Net proceeds from disposal of a subsidiary | | – | 26,385 |
| Payment for investment in joint ventures | | – | (3,000) |
| Payment for investment in partnership enterprise | | – | (1,050) |
| Cash received from disposal of joint ventures and associates | | 3,300 | 37,370 |
| Cash receipt from maturity of wealth management products and trust products | | 1,029,397 | 2,819,305 |
| Purchase of wealth management products and trust products | | (279,950) | (112,417) |
| Cash receipt from settlement of forward contracts | | 34,075 | – |
| Payment for the purchase of forward contracts | | (112,077) | – |
| Payment for acquisition of non-controlling interest of a subsidiary | | – | (28,800) |
| Advance to related parties | | (352,007) | (286,461) |
| Repayment from related parties | | 249,096 | 408,203 |
| Net cash generated from investing activities | | 605,907 | 2,928,199 |

Condensed Consolidated Cash Flow Statement (continued)

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

| | Note | Six months ended 30 June | |
|--|------|--------------------------|--------------------|
| | | 2022 RMB'000 | 2021 RMB'000 |
| Financing activities | | | |
| Proceeds from issue of shares | | 249,247 | – |
| Advance from related parties | | 95,210 | 68,971 |
| Repayment to related parties | | (13,807) | (48,969) |
| Proceeds from new bank loans and loans from other financial institutions | | 818,257 | 4,515,424 |
| Repayment of bank loans and loans from other financial institutions | | (1,157,377) | (7,895,045) |
| Proceeds from other loans | | 1,166,468 | 1,959,241 |
| Repayment of other loans | | (373,368) | (2,505,458) |
| Increase in pledged bank deposits | | (1,775,683) | (212,246) |
| Interest and other borrowing costs paid | | (441,881) | (494,596) |
| Proceeds from capital injection from non-controlling interests | | 4,835 | 3,251 |
| Capital element of lease rentals paid | | (6,710) | (12,429) |
| Interest element of lease rentals paid | | (432) | (717) |
| Net cash used in financing activities | | (1,435,241) | (4,622,573) |
| Net increase/(decrease) in cash and cash equivalents | | 212,331 | (348,433) |
| Cash and cash equivalents at 1 January | 16 | 1,095,766 | 1,184,708 |
| Effect of foreign exchange rate changes | | 1,274 | (328) |
| Cash and cash equivalents at 30 June | 16 | 1,309,371 | 835,947 |

The notes on pages 39 to 78 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

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

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

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

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

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION *(Continued)*

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

- the Group is working on generating positive operating cash flows by implementing various strategies to improve the Group's income from sales of properties, supply chain management and trading business and rentals from investment properties to generate additional operating cash inflows and putting extra efforts on the collection of trade debtors to improve the debtor turnover days;
- the Group actively and regularly reviews its capital structure and has raised approximately HK\$300 million by issuing shares during the period. The Group will consider raising additional capital by issuing bonds or new shares, where appropriate;
- the Group may continue to dispose of non-core business and assets to raise additional capital.

In addition, as disclosed in note 18, bank loans and loans from other financial institutions of RMB5,116,941,000 were guaranteed and/or secured by certain investment properties, investment properties under development, properties under development for sale, completed properties held for sale and other assets of the Group at 30 June 2022 (31 December 2021: RMB6,006,676,000). The Group considered it has sufficient collateral to support the roll-over or refinancing of such banking facilities when they fall due. In making this assessment, the Group has considered, among other things, the nature, the value and the volatility of value of its overall property portfolio, including those properties that are currently not pledged.

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

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

2 CHANGES IN ACCOUNTING POLICIES

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

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

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

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

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

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

(b) Segment reporting

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

- Property development and related services: this segment develops, sells and operates large-scale consumer product-focused wholesale shopping malls and provide related value-added business, such as warehousing and logistics.
- Supply chain management and trading: this segment operates trading of agricultural products, chemical materials, plastic raw materials, consumer goods, black and non-ferrous metals, etc., and also provides trading related supply chain finance services.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment results, assets and liabilities

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

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

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

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(iii) Geographic information

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

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

4 OTHER NET INCOME

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

5 PROFIT BEFORE TAXATION

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

(a) Finance (income)/costs

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

5 PROFIT BEFORE TAXATION (Continued)

(b) Staff costs

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Salaries, wages and other benefits | 144,757 | 146,028 |
| Contributions to defined contribution retirement plans | 12,635 | 15,029 |
| Equity-settled share-based payment expenses | – | 315 |
| | 157,392 | 161,372 |

(c) Other items

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Amortisation | 25,197 | 28,419 |
| Depreciation | | |
| — owned property, plant and equipment | 19,548 | 17,729 |
| — right-of-use assets | 7,330 | 8,071 |
| Research and development costs (other than amortisation) | 586 | 14,346 |
| Impairment losses | | |
| — trade debtors and bill receivables | (31,678) | 15,928 |
| — loans and factoring receivables | (5,736) | 538 |
| Short-term lease expenses | 1,144 | 7,390 |
| Cost of construction contract | 358 | 4,462 |
| Cost of commodities sold | 49,621,075 | 49,444,721 |
| Cost of properties sold | 4,064 | 84,311 |

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX

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

- (i) Pursuant to the rules and regulations of Cayman Islands, the Company is not subject to any income tax in Cayman Islands. Also, certain subsidiaries located in British Virgin Islands ("BVI") are not subject to any income tax in their local jurisdictions.
- (ii) No provision for Hong Kong Profits Tax or Singapore Corporate Income Tax as the Group did not earn any assessable income subject to Hong Kong Profits Tax or Singapore Corporate Income Tax during the six months ended 30 June 2022 and 2021.
- (iii) Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy and e-commerce industry in Guangxi Province, one subsidiary of the Group, GSMN Logistics Co., Ltd., is subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2022, and two subsidiaries of the Group, Guangxi Sugar Market Network Co., Ltd. and Guangxi Bave Block Trading Market Co., Ltd. are subject to PRC CIT at a preferential tax rate of 9% for the six months ended 30 June 2022. Pursuant to the rules and regulations applicable to advanced technology enterprises of the PRC, three subsidiaries of the Group, Zallgo Information Technology (Wuhan) Co., Ltd., Shenzhen AP88. com Agriculture Information Technology Limited and Zallsoon Information Technology (Wuhan) Co., Ltd. are subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2022. The application of preferential tax rate will be reviewed by the tax authority annually.

All the other PRC subsidiaries of the Group are subject to income tax at 25% for the six months ended 30 June 2022 under the PRC Corporate Income Tax Law which was enacted on 16 March 2007.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX (Continued)

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

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

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

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

8 INVESTMENT PROPERTIES

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

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

As at 30 June 2022, the Group's investment properties and investment properties under development with an aggregated carrying value of RMB13,180,369,000 (31 December 2021: RMB14,523,041,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

As at 30 June 2022, the Group's buildings with carrying value of RMB9,843,000 (31 December 2021: RMB44,895,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

10 GOODWILL

| | RMB'000 |
|--|-------------|
| Cost: | |
| At 1 January 2021 | 1,770,959 |
| Additions through business combination | 408 |
| At 31 December 2021 and 1 January 2022 | 1,771,367 |
| Additions through business combination | – |
| At 30 June 2022 | 1,771,367 |
| Accumulated impairment losses: | |
| At 1 January 2021 | (918,792) |
| Impairment loss recognised | (333,994) |
| At 31 December 2021 and 1 January 2022 | (1,252,786) |
| Impairment loss recognised | – |
| At 30 June 2022 | (1,252,786) |
| Carrying amount: | |
| At 31 December 2021 | 518,581 |
| At 30 June 2022 | 518,581 |

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

11 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|--|----------------------------|--------------------------------|
| Contract assets | | |
| Arising from performance under construction contracts | 30,418 | 30,060 |
| Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (note 14) | 5,990,370 | 6,005,469 |

The amount of contract assets that is expected to be recovered after more than one year is RMB30,418,000 as at 30 June 2022 (31 December 2021: RMB30,060,000).

(b) Contract liabilities

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|---|----------------------------|--------------------------------|
| Property development and related services | | |
| — Forward sales deposits and instalments received | 196,429 | 199,587 |
| Supply chain management and trading | | |
| — Deposits received from third parties | 5,174,069 | 3,274,569 |
| — Deposits received from related parties | 92 | — |
| Others | | |
| — Deposits received | 186 | 1,500 |
| | 5,370,776 | 3,475,656 |

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

12 FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|---|----------------------------|--------------------------------|
| Financial assets at fair value through profit or loss | | |
| Listed equity securities in Hong Kong | | |
| — Fullshare Holdings Limited | 58,119 | 52,666 |
| Listed equity securities in the United States | | |
| — LightInTheBox Holding Co., Ltd | 3,350 | 6,891 |
| Derivative financial instrument | | |
| — Wealth management products and trust products (i) | 495,054 | 1,244,501 |
| — Forward contracts | 231,661 | 124,359 |
| Contingent consideration | | |
| — acquisition of Shenzhen Sinoagri E-commerce Co., Ltd. ("Shenzhen Sinoagri") (ii) | 29,000 | 25,000 |
| | 817,184 | 1,453,417 |
| Financial liabilities at fair value through profit or loss | | |
| Forward contracts | 196,636 | 95,149 |

(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 RMB153,387,000 (31 December 2021: RMB1,171,189,000) were pledged as collateral for the Group's bills payables (note 17).

(ii) The amount represents the contingent consideration of acquisition of Shenzhen Sinoagri amounting to RMB29,000,000 as at 30 June 2022 (31 December 2021: RMB25,000,000). The amount is generated as a result of part of the consideration of the acquisition which depends on the post-acquisition financial performance of Shenzhen Sinoagri.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

13 INVENTORIES

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|---------------------------------------|----------------------------|--------------------------------|
| Properties under development for sale | 1,533,249 | 1,463,615 |
| Completed properties held for sale | 944,356 | 1,375,505 |
| Commodities | 1,533,117 | 964,803 |
| | 4,010,722 | 3,803,923 |

As at 30 June 2022, properties under development for sale with an aggregate carrying value of RMB686,629,000 (31 December 2021: RMB233,695,000) and completed properties held for sale with an aggregate carrying value of RMBnil (31 December 2021: RMB250,830,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

14 TRADE AND OTHER RECEIVABLES

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

As at 30 June 2022, trade debtors of RMBnil (31 December 2021: RMB24,739,000) and other receivables of RMBnil (31 December 2021: RMB8,000,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis of trade debtors and bill receivables

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

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

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

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

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES (Continued)

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

Ageing analysis

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

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

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

15 PLEDGED BANK DEPOSITS

| | Note | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|---|------|----------------------------|--------------------------------|
| Secured for bank loans | 18 | – | 153,000 |
| Secured for letter of credit and bills payables | 17 | 10,167,622 | 8,841,955 |
| Others | | 653,716 | 50,700 |
| | | 10,821,338 | 9,045,655 |

16 CASH AND CASH EQUIVALENTS

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|--------------------------|----------------------------|--------------------------------|
| Cash at bank and on hand | 1,309,371 | 1,095,766 |

At 30 June 2022, cash and cash equivalents and pledged bank deposits with aggregate amount of RMB11,924,440,000 (31 December 2021: RMB10,095,307,000) were placed with banks in Mainland China. Remittance of funds out of Mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

17 TRADE AND OTHER PAYABLES

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

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

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

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

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

18 INTEREST-BEARING BORROWINGS

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

| | Note | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|---|-------|----------------------------|--------------------------------|
| Current | | | |
| Bank loans and loans from other financial institutions | 18(a) | 5,181,566 | 4,995,616 |
| Other loans | 18(b) | 1,444,333 | 696,349 |
| Loans from an entity controlled by Ultimate Controlling Party | 18(c) | 20,000 | 20,000 |
| Discounted bank acceptance bills | 18(d) | 6,959,312 | 7,608,183 |
| | | 13,605,211 | 13,320,148 |
| Non-current | | | |
| Bank loans and loans from other financial institutions | 18(a) | 1,545,566 | 2,070,636 |
| Other loans | 18(b) | 2,363,707 | 2,318,591 |
| | | 3,909,273 | 4,389,227 |
| | | 17,514,484 | 17,709,375 |

(a) Bank loans and loans from other financial institutions

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

18 INTEREST-BEARING BORROWINGS (Continued)

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

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

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

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

| | Note | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|---|------|----------------------------|--------------------------------|
| Pledged bank deposits | 15 | – | 153,000 |
| Trade receivables | 14 | – | 24,739 |
| Other receivables | 14 | – | 8,000 |
| Investment properties | 8 | 13,180,369 | 13,881,336 |
| Investment properties under development | 8 | – | 641,705 |
| Properties under development | 13 | 686,629 | 233,695 |
| Completed properties held for sale | 13 | – | 250,830 |
| Property, plant and equipment | 9 | 9,843 | 44,895 |
| | | 13,876,841 | 15,238,200 |

(iii) Bank loans and loans from other financial institutions bear interest ranging from 3.82% to 9.50% per annum as at 30 June 2022 (31 December 2021: 3.82% to 6.50% per annum).

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

As at 30 June 2022, bank loans and loans from other financial institutions of the Group of RMB3,254,601,000 (31 December 2021: RMB3,289,769,000) were not in compliance with the imposed covenants, of which RMB795,188,000 (31 December 2021: RMB817,254,000) the Group has obtained notices from the corresponding banks and other financial institutions, which confirmed that the respective subsidiaries of the Group would not be regarded as having breached the covenants and the banks and other financial institutions would not demand early repayment from the respective subsidiaries of the Group.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

18 INTEREST-BEARING BORROWINGS (Continued)

(b) Other loans

At 30 June 2022, other loans were repayable as follows:

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

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

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

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

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS

(a) 2017 Share Option Scheme

The Group has adopted a share option scheme ("2017 Share Option Scheme") which granted a total of 45,667,950 share options to certain senior management of Shenzhen Sinoagri ("Shenzhen Sinoagri Management Team") at total consideration of HK\$3.00 to subscribe shares of the Company. Each option gives the holder right to subscribe for one ordinary share in the Company and is settled gross in shares.

The terms and conditions of the grants are as follows:

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

The number of the options to be exercised after each vesting period is subject to a performance guarantee mechanism and a make-up mechanism with reference to revenue and net profit of Shenzhen Sinoagri for the respective financial year from 2017 to 2022 as set out in the 2017 Share Option Scheme.

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

| | Six months ended 30 June | | | |
|---|---------------------------------------|----------------------|---------------------------------------|----------------------|
| | 2022 | | 2021 | |
| | weighted average exercise price | number of options | weighted average exercise price | number of options |
| Outstanding at the beginning/end of the period | HKD8.48 | 45,667,950 | HKD8.48 | 45,667,950 |
| Exercisable at the end of the period | HKD8.48 | 15,547,407 | HKD8.48 | 15,547,407 |

As at 30 June 2022, the remaining contractual life of share option scheme is 5.5 years (31 December 2021: 6 years).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(a) 2017 Share Option Scheme (Continued)

Fair value of share options and assumptions:

The fair value of service received in return of share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial option pricing model. The fair value of each share option at measurement date is HKD3.7179 and the significant inputs into the model are listed as follows:

| | |
|--|----------|
| Share price determined at the measurement date | HKD8.48 |
| Exercise price | HKD8.48 |
| Time to maturity | 10 years |
| Exercise multiple | 2.20 |
| Volatility | 37.29% |
| Estimated dividend yields | 0% |
| Risk free rate | 1.85% |
| Pre-vesting exit rate | 0% |
| Post-vesting exit rate | 0% |

The estimated volatility of share price is calculated based on the statistical analysis of historical volatility of the Company adjusted for any expected changes to future volatility based on publicly available information. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. Changes in the subjective input assumptions could materially affect the fair value estimate.

For the six months ended 30 June 2022, the total expense recognised in the consolidated statement of profit or loss for share options granted to the recipients is RMB nil (six months ended 30 June 2021: RMB227,000).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(b) Management Share Award Scheme

On 22 December 2017, total 8,059,050 awarded shares were granted to Shenzhen Sinoagri Management Team. The grant date is 22 December 2017. The purposes of the award shares to Shenzhen Sinoagri Management Team is to ensure the certainty of benefit and security of the recipients' positions and also allow the Company to continue its business operation with stability.

The awarded shares granted to the grantees will vest in 5 equal instalments upon the publication of the annual report of the Company for each financial year ended 2017 to 2021. The number of awarded shares to be vested in each instalment is subject to the same performance guarantee mechanism and make-up mechanism with reference to revenue and net profit of Shenzhen Sinoagri for the respective financial year from 2017 to 2022 as set out in the 2017 Share Option Scheme.

The awarded shares granted were issued on 22 December 2017 and movements in the number of shares held for Management Shares for the six months ended 30 June 2022 are as follows:

| | Six months ended 30 June | |
|---|--------------------------|-----------|
| | 2022 | 2021 |
| Number of Management Shares granted but not yet vested at the beginning of the period | 5,315,390 | 5,315,390 |
| Vested during the period | – | – |
| Number of Management Shares granted but not yet vested at the end of the period | 5,315,390 | 5,315,390 |

The total fair value of the awarded shares amounted to RMB59,175,000. The estimated fair value of the award shares on the grant date is determined by reference to the market price of the Company's shares at that date. The Group recognised share based payment expenses of RMB nil for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB88,000) with a corresponding increase in equity-settled share-based payment reserve within equity.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(c) 2018 Share Option Scheme

The Group has adopted a share option scheme ("2018 Share Option Scheme") which granted a total of 50,000,000 share options during year ended 31 December 2018, to the eligible participants to subscribe shares of the Company. Each option gives the holder right to subscribe for one ordinary share in the Company and is settled gross in shares.

| Date granted | Vesting date | Expiry date | Number of shares option Granted | | Exercise price | Total |
|------------------|---|---|---------------------------------|------------|----------------|------------|
| | | | Directors | Employee | | |
| 4 September 2018 | the first trading date after the 12-month period from the date of grant | the last trading date of the 24-month period from the date of grant | 1,500,000 | 13,500,000 | HKD6.66 | 15,000,000 |
| 4 September 2018 | the first trading date after the 24-month period from the date of grant | the last trading date of the 36-month period from the date of grant | 1,500,000 | 13,500,000 | HKD6.66 | 15,000,000 |
| 4 September 2018 | the first trading date after the 36-month period from the date of grant | the last trading date of the 48-month period from the date of grant | 2,000,000 | 18,000,000 | HKD6.66 | 20,000,000 |

The number of the options to be exercised after each vesting period is subject to fulfilment of certain financial performance targets as set out in the 2018 Share Option Scheme.

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

| | Six months ended 30 June | | | |
|--|-------------------------------------|-------------------|-------------------------------------|-------------------|
| | 2022 | | 2021 | |
| | weighted average exercise price HKD | number of options | weighted average exercise price HKD | number of options |
| Outstanding at the beginning of the period | 6.66 | – | 6.66 | 16,160,000 |
| Lapsed during the period | 6.66 | – | 6.66 | (16,160,000) |
| Outstanding at the end of the period | 6.66 | – | 6.66 | – |
| Exercisable at the end of the period | 6.66 | – | 6.66 | – |

All share options had lapsed during the six months ended 30 June 2021.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(c) 2018 Share Option Scheme (Continued)

Fair value of share options and assumptions:

The fair value of service received in return of share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial option pricing model. The fair value of each share option at measurement date is HKD1.71 and the significant inputs into the model are listed as follows:

| | |
|--|---------------|
| Share price determined at the measurement date | HKD6.36 |
| Exercise price | HKD6.66 |
| Time to maturity | 2–4 years |
| Exercise multiple | 2.80 |
| Volatility | 33.66%–43.76% |
| Estimated dividend yields | 0.48% |
| Risk free rate | 1.98%–2.10% |
| Pre-vesting exit rate | 0% |
| Post-vesting exit rate | 4.5% |

The estimated volatility of share price is calculated based on the statistical analysis of historical volatility of the Company, adjusted for any expected changes to future volatility based on publicly available information. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. Changes in the subjective input assumptions could materially affect the fair value estimate.

No expense was recognised in the consolidated statement of profit or loss for the six months ended of 30 June 2021 as performance condition was not satisfied.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

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

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

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

(b) Capital management

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

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

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) 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:

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

| | Fair value at 30 June 2022 RMB'000 | Fair value measurement as at 30 June 2022 categorised into | | | Fair value at 31 December 2021 RMB'000 | Fair value measurement as at 31 December 2021 categorised into | | |
|---|---|---|--------------------|--------------------|---|---|--------------------|--------------------|
| | | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |
| Recurring fair value measurement | | | | | | | | |
| Assets: | | | | | | | | |
| — Listed equity securities | 61,469 | 61,469 | - | - | 59,557 | 59,557 | - | - |
| — Wealth management products and trust products | 495,054 | - | 495,054 | - | 1,244,501 | - | 1,244,501 | - |
| — Forward contracts | 231,661 | 18,518 | 213,143 | - | 124,359 | 44,376 | 79,983 | - |
| — Contingent consideration | 29,000 | - | - | 29,000 | 25,000 | - | - | 25,000 |
| Liabilities: | | | | | | | | |
| — Forward contracts | 196,636 | - | 196,636 | - | 95,149 | - | 95,149 | - |

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2021: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Valuation techniques and inputs used in level 2 fair value measurements

The fair value of equity investment at fair value through other comprehensive income is determined under the market approach.

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

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

(iii) Information about level 3 fair value measurements

| | Valuation techniques | Significant unobservable inputs | Input value |
|---|----------------------|---|--|
| Contingent consideration for acquisition of Shenzhen Sinoagri | Probabilistic method | Occurrence probability of financial forecasts, financial forecast | 80% (base case); 10% (bull and bear cases) |

The movement during the period in the balance of these Level 3 fair value measurements are as follows:

| | 30 June 2022 RMB'000 | 30 June 2021 RMB'000 |
|---------------------------------|-------------------------|-------------------------|
| Contingent consideration | | |
| Balance at 1 January | 25,000 | 172,851 |
| Net change in fair value | 4,000 | (50,857) |
| Settlement | – | (93,105) |
| Balance at 30 June | 29,000 | 28,889 |

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair value as at 30 June 2022 and 31 December 2021.

Notes to the Unaudited Interim Financial Report (continued)

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22 COMMITMENTS

As at 30 June 2022, the Group's capital commitments in respect of investment properties under development and properties under development are as follows:

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|---|----------------------------|--------------------------------|
| Contracted but not provided for | | |
| — Investment properties under development | 79,464 | 79,686 |
| — Properties under development | 364,344 | 362,717 |
| | 443,808 | 442,403 |

23 CONTINGENT LIABILITIES

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|---|----------------------------|--------------------------------|
| Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (i) | 243,605 | 309,324 |
| Other financial guarantee | 170,000 | 170,000 |
| Total maximum guarantees issued | 413,605 | 479,324 |

- (i) The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyers obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyers.

The directors of the Company consider that it is not probable that the Group will sustain a loss under these guarantees as the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The directors of the Company also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors of the Company.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party informations disclosed elsewhere, the Group and the Company entered into the following material related party transactions.

Ultimate Controlling Party refers to Mr. Yan Zhi. He is the co-chairman, co-chief executive officer and an executive director of the Group.

(a) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors is as follows:

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Wages, salaries and other benefits | 11,510 | 7,967 |
| Contributions to defined benefit retirement scheme | 302 | 229 |
| Equity-settled share-based payment expenses | – | 315 |
| | 11,812 | 8,511 |

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

(b) Other transactions with related parties

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| (i) Advances from related parties | | |
| — Associates | 50,378 | 14,210 |
| — A joint venture | 34,406 | – |
| — Immediate Parent | 9,782 | 32,322 |
| — Entities controlled by Ultimate Controlling Party | 552 | 20,324 |
| — Key management personnel | 92 | 2,114 |

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties (Continued)

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| (ii) Repayment to related parties | | |
| — Associates | 3,965 | 15,210 |
| — A joint venture | 112 | 12,963 |
| — Entities controlled by Ultimate Controlling Party | 9,725 | 59 |
| — Immediate Parent | 4 | 18,922 |
| — Key management personnel | – | 617 |

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| (iii) Advances to related parties | | |
| — Associates | 200 | 154,888 |
| — Joint ventures | 69,460 | 112,477 |
| — Entities controlled by Ultimate Controlling Party | 143,891 | 237 |
| — Immediate Parent | 132,966 | – |
| — Key management personnel | – | 6,225 |
| — Non-controlling interests of subsidiaries | 5,490 | 6,851 |

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| (iv) Repayment from related parties | | |
| — Associates | 20,315 | 139,898 |
| — Joint ventures | 87,244 | 123,344 |
| — Non-controlling interests of subsidiaries | 863 | 51 |
| — Entities controlled by Ultimate Controlling Party | 136,148 | 121,079 |
| — Key management personnel | 900 | 662 |
| — Entities controlled by non-controlling interests of subsidiaries | 3,627 | 29,827 |

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| (v) Rental income | | |
| — Entities controlled by Ultimate Controlling Party | 2,955 | 2,881 |

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties (Continued)

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| (vi) Place deposits in — a bank significantly influenced by Ultimate Controlling Party | 11,524,965 | 13,456,839 |

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| (vii) Withdraw deposits from — a bank significantly influenced by Ultimate Controlling Party | 11,591,250 | 13,548,766 |

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| (viii) Sales of commodities to related parties | | |
| — Associates | 20,684 | 34,459 |
| — An entity controlled by non-controlling interests of subsidiaries | 3,022 | — |

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| (ix) Purchase of commodities from related parties | | |
| — Associates | 90,623 | 104,593 |
| — Joint ventures | 3,368 | 2,113 |
| — Entities controlled by non-controlling interests of subsidiaries | 174 | — |
| — Non-controlling interests of subsidiaries | 837 | 1,039 |

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balance with related parties

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|--|----------------------------|--------------------------------|
| Factoring receivables | | |
| — an associate | — | 18 |
| | | |
| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
| Trade prepayment to | | |
| — associates | 11,234 | 12,157 |
| — entities controlled by non-controlling interests of subsidiaries | 105 | 5,000 |
| | 11,339 | 17,157 |
| | | |
| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
| Amounts due from related parties | | |
| — associates | 499,618 | 453,205 |
| — joint ventures | 58,253 | 23,959 |
| — entities controlled by Ultimate Controlling Party | 11,991 | 21,164 |
| — key management personnel | 1,570 | 1,478 |
| — entities controlled by non-controlling interests of subsidiaries | 17,133 | 7,351 |
| — entities significantly influenced by Ultimate Controlling Party | 101 | 106 |
| | 588,666 | 507,263 |

The amounts due from related parties are unsecured and repayable on demand.

Amounts due from an associate of RMB469,166,000 as at 30 June 2022 (31 December 2021: RMB454,982,000) bear interest of 8.4% per annum (31 December 2021: 8.4% per annum). Amounts due from a joint venture of RMB44,082,000 as at 30 June 2022 (31 December 2021: RMB1,902,000) bear interest of 5.4% per annum (31 December 2021: 5.4% per annum). All the other amounts due from related parties as at 30 June 2022 and 31 December 2021 were interest free.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balance with related parties (Continued)

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|---|----------------------------|--------------------------------|
| Deposits in | | |
| — a bank significantly influenced by Ultimate Controlling Party | – | 66,285 |

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|--|----------------------------|--------------------------------|
| Interest-bearing borrowings | | |
| — an entity controlled by Ultimate Controlling Party (note 18 (c)) | 20,000 | 20,000 |
| | 20,000 | 20,000 |

Loans from an entity controlled by Ultimate Controlling Party are unsecured and bear interest of 5.00% per annum as at 30 June 2022.

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|---|----------------------------|--------------------------------|
| Amounts due to related parties | | |
| — associates | 458 | 20,573 |
| — a joint venture | 112 | 17,896 |
| — non-controlling interests of subsidiaries | 80 | 943 |
| — entities controlled by Ultimate Controlling Party | 65,159 | 57,416 |
| — Ultimate Controlling Party | 3,900 | 3,900 |
| — Immediate Parent | 204,603 | 71,637 |
| — key management personnel | – | 900 |
| — entities significantly influenced by Ultimate Controlling Party | 6,952 | 5,089 |
| | 281,264 | 178,354 |

The amounts due to related parties are unsecured, interest-free and repayable on demand.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balance with related parties (Continued)

| | 30 June 2022 RMB'000 | 31 December 2021 RMB'000 |
|--|----------------------------|--------------------------------|
| Interest-bearing borrowings guaranteed by | | |
| — an associate | – | 10,000 |
| | – | 10,000 |

No guarantee income was charged by related parties for the guarantee of loans.

(d) Applicability of the Listing Rules relating to connected transactions

Save for the related party transactions in respect of transactions 24(b)(v), 24(b)(vi) and 24(b)(vii) above, none of the related party transactions set out above constitutes connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions of the Group.

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

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