Zall Smart Commerce Group Ltd.
卓爾智聯集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2098)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Board (the "**Board**") of directors (the "**Directors**") of Zall Smart Commerce Group Ltd. (the "**Company**" or "**Zall Smart**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 as follows:

FINANCIAL HIGHLIGHTS

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

(Expressed in Renminbi)

	Notes	**2023** **RMB'000**	2022 *RMB'000*
Revenue	*4(a)*	**125,290,479**	110,906,215
Cost of sales		**(124,443,841)**	(110,318,790)
Gross profit		**846,638**	587,425
Other net (loss)/income	*5*	**(38,647)**	135,597
Selling and distribution expenses		**(263,160)**	(209,709)
Administrative and other expenses		**(448,315)**	(520,789)
Impairment loss under expected credit loss model, net of reversal	*6(b)*	**(104,554)**	(29,136)
Impairment loss on goodwill		**–**	(267,083)
Net valuation gain/(loss) on investment properties		**470,456**	(933,998)
Net valuation loss on investment properties held for sale		**–**	(5,251)
Net gain/(loss) on disposal of subsidiaries		**41,312**	(1,423,797)
Profit/(loss) from operations		**503,730**	(2,666,741)
Finance income	*6(a)*	**324,345**	353,367
Finance costs	*6(a)*	**(619,563)**	(910,001)
Share of net profits of associates		**9,191**	1,513
Share of net losses of joint ventures		**(735)**	(835)
Profit/(loss) before taxation	*6*	**216,968**	(3,222,697)
Income tax (expense)/credit	*7*	**(151,292)**	241,506
Profit/(loss) for the year		**65,676**	(2,981,191)
Attributable to:			
Equity shareholders of the Company		**50,915**	(3,040,264)
Non-controlling interests		**14,761**	59,073
Profit/(loss) for the year		**65,676**	(2,981,191)
Earnings/(loss) per share (RMB cents)			
Basic	*8*	**0.41**	(24.94)
Diluted	*8*	**0.41**	(24.94)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023
(Expressed in Renminbi)

	Note	**2023**	2022
		RMB'000	*RMB'000*
Non-current assets			
Investment properties		**24,466,240**	23,475,664
Property, plant and equipment		**348,144**	291,524
Intangible assets		**428,286**	444,993
Goodwill		**251,498**	251,498
Interests in associates		**282,648**	194,457
Interests in joint ventures		**18,495**	19,230
Equity investments at fair value through other comprehensive income		**3,000**	–
Contract assets		**30,418**	30,418
Deferred tax assets		**468,045**	419,367
		26,296,774	25,127,151
Current assets			
Inventories		**4,779,687**	4,508,221
Trade and other receivables	*10*	**20,055,402**	17,383,123
Financial assets at fair value through profit or loss		**264,416**	684,792
Amounts due from related parties and non-controlling shareholders of subsidiaries		**924,025**	639,920
Prepaid taxes		**34,066**	38,808
Pledged bank deposits		**9,641,308**	10,255,721
Cash and cash equivalents		**1,782,996**	1,341,318
		37,481,900	34,851,903
Non-current assets classified as held for sale		**–**	380,016
		37,481,900	35,231,919

	Note	2023 RMB'000	2022 RMB'000
Current liabilities			
Trade and other payables	*11*	**17,927,188**	16,208,114
Contract liabilities		**10,395,307**	6,453,504
Lease liabilities		**17,081**	10,828
Financial liabilities at fair value through profit or loss		**–**	77,380
Amounts due to related parties and non-controlling shareholders of subsidiaries		**1,020,646**	434,431
Interest-bearing borrowings		**10,405,065**	12,951,172
Current taxation		**547,033**	498,844
		40,312,320	36,634,273
Liabilities directly associated with non-current assets classified as held for sale		**–**	39,837
		40,312,320	36,674,110
Net current liabilities		**(2,830,420)**	(1,442,191)
Total assets less current liabilities		**23,466,354**	23,684,960
Non-current liabilities			
Interest-bearing borrowings		**4,863,205**	5,309,836
Deferred income		**3,296**	6,105
Lease liabilities		**16,902**	3,132
Deferred tax liabilities		**4,376,266**	4,217,781
		9,259,669	9,536,854
NET ASSETS		**14,206,685**	14,148,106
CAPITAL AND RESERVES			
Share capital	*12*	**34,454**	34,454
Reserves		**13,769,807**	13,717,604
Total equity attributable to equity shareholders of the Company		**13,804,261**	13,752,058
Non-controlling interests		**402,424**	396,048
TOTAL EQUITY		**14,206,685**	14,148,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1. STATEMENT OF COMPLIANCE

The annual result set out in the announcement are extracted from the Group's consolidated financial statements, which have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— investment properties, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest;

— investments in equity and non-equity investments;

— derivative financial instruments; and

— contingent considerations recognised in business combinations.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less cost to sell.

The consolidated financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand. Items included in the financial statements of each entity in the Group are measured using currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("**functional currency**"). Most of the companies comprising the Group are operating in the People's Republic of China (the "**PRC**") and their functional currency is RMB, hence, RMB is used as the presentation currency of the Group.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Group had net current liabilities of approximately RMB2,830,420,000 as at 31 December 2023. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have given careful consideration to the future liquidity requirements and performance of the Group and its available sources of financing in assessing the Group's ability to continue as a going concern for at least the next twelve months and to meet its repayment obligations, as and when they fall due. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include but not limit to the following:

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

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

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

In addition, bank loans and loans from other financial institutions of RMB5,527,705,000 were guaranteed and/or secured by certain investment properties, properties under development for sale, completed properties held for sale and other assets of the Group at 31 December 2023. The Group considered it has sufficient collateral to support the roll-over or refinancing of a substantial portion of the existing borrowings to extend the repayment dates to beyond twelve months from the end of the reporting period. In making this assessment, the Group has considered, among other things, the nature, the value and the volatility of value of its overall property portfolio, including those properties that are currently not pledged.

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

3. ADOPTION OF NEW AND AMENDED STANDARDS

(a) New and amendments to IFRSs that are mandatorily effective for the current year

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

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

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

Amendments to IAS 8 — Definition of Accounting Estimates

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

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

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

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

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

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are developing and operating of large-scale consumer product-focused wholesale shopping malls in the PRC, and providing supply chain management and trading business, e-commerce services, financial services, warehousing and logistics services for the online and offline customers. Further details regarding the Group's principal activities are disclosed in note 4(b).

(i) Disaggregation of revenue

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15:		
Disaggregated by major products or service lines		
— Revenue from sale of properties and related services	**157,657**	106,751
— Revenue from supply chain management and trading business	**124,691,353**	110,409,906
— Others	**42,948**	35,131
	124,891,958	110,551,788
Revenue from other sources		
Gross rentals from investment properties		
— Lease payments that are fixed	**283,506**	240,936
Financing income	**59,262**	87,236
Others	**55,753**	26,255
	125,290,479	110,906,215
Revenue from contracts with customers within the scope of IFRS 15:		
Geographical markets		
The PRC	**116,439,424**	100,143,006
Singapore	**8,452,534**	10,408,782
Total	**124,891,958**	110,551,788
Timing of revenue recognition		
A point in time	**124,891,643**	110,462,856
Over time	**315**	88,932
Total	**124,891,958**	110,551,788

The Group's customer base is diversified and the Group does not have any single customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2023 (2022: nil).

(b) Segment reporting

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

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

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

(i) Segment results

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below.

	Property development and related services		**Supply chain management and trading**		**Total**	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue	**441,163**	347,687	**124,806,368**	110,523,397	**125,247,531**	110,871,084
Reportable segment profit/(loss)	**77,071**	20,732	**(41,699)**	(159,851)	**35,372**	(139,119)

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

Revenue

	2023	2022
	RMB'000	*RMB'000*
Reportable segment revenue	**125,247,531**	110,871,084
Other revenue	**42,948**	35,131
Consolidated revenue *(note 4(a))*	**125,290,479**	110,906,215

Profit/(loss)

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

5. OTHER NET (LOSS)/INCOME

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

6. PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance (income)/costs

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

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

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

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

(c) Other items

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

7. INCOME TAX

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

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

Weighted average number of ordinary shares (basic)

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

(b) Diluted earnings/(loss) per share

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

9. DIVIDENDS

No dividend was paid or proposed for equity shareholders of the Company during 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

10. TRADE AND OTHER RECEIVABLES

	Note	2023 RMB'000	2022 RMB'000
Trade receivables, net of loss allowance	*10(a)*	**7,851,883**	8,351,748
Loans and factoring receivables, net of loss allowance	*10(b)*	**1,111,397**	966,372
		8,963,280	9,318,120
Advances to suppliers		**9,668,556**	5,533,980
Other receivables, deposits and prepayments		**1,423,566**	2,531,023
		20,055,402	17,383,123

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

(a) Ageing analysis of trade receivables

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

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

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

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

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

Note:

Secured loans receivables represent loans advanced to associates and third-parties which are secured by the borrowers' inventories, properties or unlisted shares.

Ageing analysis

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

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

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

11. TRADE AND OTHER PAYABLES

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

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

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

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

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

12. SHARE CAPITAL

Share capital

	2023		2022	
	Number of shares	**Amount**	Number of shares	Amount
	('000)	***HK$'000***	*('000)*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.00333 each	**24,000,000**	**80,000**	24,000,000	80,000
Ordinary shares, issued and fully paid:				
At 1 January	**12,399,506**	**41,329**	11,782,826	39,275
Issuance of new shares (note (i))	**–**	**–**	600,000	1,998
Shares issued under Shares Award Scheme (note (ii))	**–**	**–**	16,680	56
At 31 December	**12,399,506**	**41,329**	12,399,506	41,329
		RMB'000		*RMB'000*
Shown on the consolidated financial statements		**34,454**		34,454

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes:

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

(ii) During the year ended 31 December 2022, a total of 16,680,000 awarded shares were issued and allotted to certain connected grantees and selected employees of the Group.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the Independent Auditor's Report from the auditor of the Company, Baker Tilly Hong Kong Limited:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which indicates that the Group had net current liabilities of approximately RMB2,830,420,000 as at 31 December 2023. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Consumer product-focused wholesale trading

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

In 2023, North Hankou leverage on the "power" of policies to enhance the "efficiency" of development. The 2023 Hubei Provincial Government Work Report mentioned twice that "North Hankou successfully hosted 14 international and national events including the Wuhan Commodities Fair" and "supported the construction of 10-billion-yuan level trading markets such as the North Hankou International Trade Centre". North Hankou was mentioned four times in the 2023 Wuhan Government Work Report, including "promote the development of North Hankou and other e-commerce live streaming clusters", "focus on building of 10 e-commerce live streaming clusters including North Hankou", "promote the optimisation and upgrading of North Hankou International Commodity Trading Centre", and "host the Global Digital Trade Conference and Wuhan (North Hankou) Commodities Fair". North Hankou was awarded the 2022 National Commodity Exchange Market Optimization and Upgrading Demonstration Market at the 23rd Session of the China Commodity Exchange Market Conference, while the North Hankou E-commerce Live Streaming Base was awarded the Wuhan Grade-A E-commerce Live Streaming Cluster. North Hankou was also rated as a pilot industrial base by the Hubei Provincial Department of Commerce for the province's reform on integrating of domestic and foreign trade, and was selected as the top five of the top 100 China commodity markets at the 13th China Commodity Market Summit.

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

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

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

Supply chain management and trading

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

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

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

In the ferrous commodities sector, Shanghai Zall Steel E-commerce Co., Ltd.* (上海卓鋼鏈電子商務有限公司) ("**Zall Steel**"), a subsidiary of the Group, leverages on the technology to build on the six service platforms of "smart trading, supply chain service, SaaS cloud service, warehousing and Internet of Things, smart logistics and data information" to promote industry reform, transformation and upgrading. Zall Steel leverages on the technologies of Internet of Things, 5G, blockchain traceability and other technologies, and co-operated with multiple financial institutions to set up the "multi-bank, multi-product" supply chain service supermarket, effectively solving the financing problems of the steel industry chain, enabling its customers to enjoy the safe, convenient and efficient online supply chain services of the financial institutions. The lightweight customized SaaS service system developed by Zall Steel covered all business scenarios across the steel industry, and achieved seamless management of the entire process of sales, production, inventory, procurement, human resources, finance, and office work, serving over 2,000 customers including large central state-owned enterprises, and contributed to the 29% increase in the Company's human efficiency ratio and the 18% increase in online operation efficiency rate. The SaaS service system has passed the Kunpeng Technology Certification of Huawei. The electronic warehouse receipt information alliance chain system independently developed by Zall Steel provides various parties along the supply chain of ferrous commodities with safe, efficient, intelligent and convenient warehousing supervision and processing services, and has obtained national intellectual property patent of inventions. In 2023, Zall Steel had established 30 trading service centres across China, reaching more than 310 cities in 32 provinces and serving more than 70,000 members, and established 32 ZCH (卓倉匯) standard warehouses, providing services for 350 people's livelihood engineering and high-end manufacturing projects. Zall Steel also actively provides one-stop supply chain integration service solutions for large end-user steel companies, including infrastructure, automobiles, photovoltaic new energy, power grid and other market segments, and has served multiple large-scale state-owned enterprises and leading companies in the industry. In 2023, Zall Steel achieved an operating revenue of approximately RMB24.5 billion, and received a number of accolades such as Shanghai's Top 100 Enterprises and Top 100 Industrial Internet Enterprises of China. Its subsidiary Shanghai Zall Steel Technology Co. Ltd.* (上海卓鋼鏈科技有限公司) was selected on the list of technology based SMEs in Shanghai for four consecutive years, and has received the honourary accreditation of Shanghai Innovative SMEs, the National High-Tech Enterprise Certification, and the Electronic Warehouse Receipt Invention Patent. As a representative of the steel digital intelligence service platform, Zall Steel participated in the drafting of the national "Commodity Price Index Compilation Guidelines", and was selected as one of the first batch of implementation units.

In respect of the global commodities online trading sector, the Group's Commodities Intelligence Centre Pte. Ltd. ("**CIC**") has vigorously developed online trading of commodities since its launch in October 2018, providing a blockchain technology-based one-stop solution to reduce international trade risks and improve distribution efficiency. As of December 2023, the CIC platform had 16,378 registered users, with a GMV of over US$20.0 billion. The main product categories traded include coal, nickel ore, copper ore, iron ore and electrolytic copper. To ensure the successful delivery of supply chain financial services, CIC continued to deepen its cooperation with ZMA Smart Capital Pte. Ltd., and at the same time strived to diversify financing channels. Relying on its blockchain technology, CIC continuously enhanced e-finance services, provided effective risk management, and offered new solutions for international e-finance services to reduce costs, broaden channels, improve transaction efficiency and assist in promoting the development of international trade. For the year ended 31 December 2023, CIC achieved an operating revenue of approximately RMB8.0 billion. Its big data platform for trade, TradeData.pro, has further expanded the global market through diversified online marketing strategies which mainly covering Southeast Asia, European and American countries and regions, with product click-through rates increased significantly compared to last year.

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

FUTURE PROSPECTS

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

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

INVESTMENT PORTFOLIO

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

As at 31 December 2023

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

As at 31 December 2022

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost	Carrying amount as at 31 December 2022	Unrealised holding loss arising on revaluation for the year ended 31 December 2022	Dividend received for the year ended 31 December 2022
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
00607.HKEX	Fullshare	11,819,250 (note)	2.23%	620,157	55,958	2,687	–

Note: Fullshare consolidated 50 shares to 1 share, effective on 4 December 2023.

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

As at 31 December 2023, the Group held 11,819,250 (31 December 2022: 11,819,250) shares in Fullshare, representing approximately 1.9% of its entire issued share capital (31 December 2022: approximately 2.2%). Fullshare is listed on the main board of the Stock Exchange of Hong Kong Limited. Its principal activities are property development, tourism, investment, provision of healthcare products and services business and new energy business. The Group recognised an unrealised holding loss of approximately RMB49.2 million for the year ended 31 December 2023 (31 December 2022: approximately RMB2.7 million). The carrying amount of investment in Fullshare accounts for approximately 0.01% of the Group's total assets as at 31 December 2023 (31 December 2022: approximately 0.09%). The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

Results of Operation

Revenue

Revenue of the Group increased by approximately 13.0% from approximately RMB110,906.2 million for the year ended 31 December 2022 to approximately RMB125,290.5 million for the year ended 31 December 2023. The increase was primarily due to the increase in revenue from supply chain management and trading business.

Revenue from supply chain management and trading business

The Group's revenue from supply chain management and trading business has contributed approximately 99.5% of the Group's total revenue for the year ended 31 December 2023. For the year ended 31 December 2023, the Group's revenue from supply chain management and trading business was approximately RMB124,691.4 million (2022: approximately RMB110,409.9 million). The increase in revenue from supply chain management and trading business was primarily attributable to the Group's continuous expansion in business scale.

Rental income from investment properties

The Group's rental income from investment properties increased by approximately 17.7% from approximately RMB240.9 million for the year ended 31 December 2022 to approximately RMB283.5 million for the year ended 31 December 2023. The increase was primarily due to the increase in gross area for rental purpose during the year.

Revenue from financing income

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

Sales of properties and related services

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

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

Cost of sales

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

Gross profit

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

Other net (loss)/income

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

Selling and distribution expenses

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

Administrative and other expenses

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

Impairment loss under expected credit loss model, net of reversal

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

Impairment loss on goodwill

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

Net valuation gain/(loss) on investment properties

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

Net gain/(loss) on disposal of subsidiaries

The Group recorded net gain on disposal of subsidiaries of approximately RMB41.3 million (2022: net loss of approximately RMB1,423.8 million) for the year ended 31 December 2023. The recognition of net loss for the year ended 31 December 2022 was mainly attributable to the disposal of the entire equity interest of Zall Development (Tianjin) Co., Ltd.

Share of net profits of associates

Share of net profits of associates of the Group for the year ended 31 December 2023 was approximately RMB9.2 million (2022: approximately RMB1.5 million). The increase was mainly due to the increase of profits of the Group's major associate.

Finance income and costs

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

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

Income tax (expense)/credit

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

Profit/(loss) for the year

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

Liquidity and capital resources

As at 31 December 2023, the Group had net current liabilities of approximately RMB2,830.4 million (31 December 2022: approximately RMB1,442.2 million) and net assets of approximately RMB14,206.7 million (31 December 2022: approximately RMB14,148.1 million). Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position, which includes (i) the Group expects to generate positive operating cash flows for the next twelve months by implementing various strategies to improve the Group's income from supply chain management and trading business and rentals from investment properties to generate additional operating cash inflows; (ii) the Group is actively and regularly reviewing its capital structure, negotiating with banks and other financial institutions for roll-over or re-financing its existing borrowings and will consider raising additional fundings by bank borrowings, where appropriate; and (iii) the Group plans to dispose of non-core business and assets to raise additional working capital. As at 31 December 2023, the total equity attributable to equity shareholders of the Company amounted to approximately RMB13,804.3 million (31 December 2022: approximately RMB13,752.1 million), comprising issued capital of approximately RMB34.5 million (31 December 2022: approximately RMB34.5 million) and reserves of approximately RMB13,769.8 million (31 December 2022: approximately RMB13,717.6 million).

Cash position

The Group's cash and cash equivalents consist primarily of cash on hand and bank balances, which are primarily held in RMB denominated accounts with banks in the PRC. As at 31 December 2023, the Group's cash and cash equivalents amounted to approximately RMB1,783.0 million (31 December 2022: approximately RMB1,341.3 million). The Group's level of cash and cash equivalents has remained stable. The Group regularly and closely monitors its funding and treasury position to meet the funding needs of the Group.

Interest-bearing borrowings

The Group's total interest-bearing borrowings decreased by approximately 16.4% from approximately RMB18,261.0 million as at 31 December 2022 to approximately RMB15,268.3 million as at 31 December 2023. Majority of the loans were denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Details of the interest rates during the year ended 31 December 2023 are set out in note 6(a) of the consolidated financial statements in this announcement.

Net gearing ratio

The Group's net gearing ratio decreased from 48.6% as at 31 December 2022 to 28.1% as at 31 December 2023. The net gearing ratio is calculated by dividing interest-bearing borrowings and lease liabilities, net of cash and cash equivalents and pledged bank deposits, by total equity attributable to equity shareholders of the Company.

Foreign exchange risk

The Group's sales were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Board expects that any future exchange rate fluctuation will not have any material effect on the Group's business. As at 31 December 2023, the Group did not use any financial instruments for hedging purpose. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

Charge on assets

As at 31 December 2023, the Group had pledged certain of its assets with a total book value of approximately RMB17,155.7 million (31 December 2022: approximately RMB19,212.2 million) and a total book value of approximately RMB9,476.7 million (31 December 2022: approximately RMB10,589.0 million) for the purpose of securing certain of the Group's interest-bearing borrowings and bills payables respectively.

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

The Group has no material acquisition or disposal during the year ended 31 December 2023. The Group will seek opportunities to sell non-core assets and businesses to enhance liquidity and devote investment resources to core businesses.

Segment reporting

Details of the segment reporting of the Group for the year ended 31 December 2023 are set out in note 4(b) of the consolidated financial statements in this announcement.

Contingent liabilities

In accordance with the industrial practice, the Group has made arrangements with various PRC banks to provide mortgage facilities to the purchasers of its pre-sold properties. Pursuant to the terms of the guarantees, if there is a default of the mortgage payments by these purchasers, the Group will be responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted purchasers to the banks. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyers obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyers. As at 31 December 2023, the guarantees in relation to mortgage facilities granted to purchasers of the Group's properties amounted to approximately RMB137.1 million (31 December 2022: approximately RMB188.4 million).

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

CHANGES IN ACCOUNTING POLICIES

For details of change in accounting policies, please refer to note 3 to the consolidated financial statements of the Company in this announcement.

EVENTS AFTER REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group employed a total of 1,655 full time employees (2022: 1,615). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2023, the employees benefit expenses were approximately RMB316.5 million (2022: approximately RMB321.6 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as shares and options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

The Group has adopted a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations. The Share Option Scheme has expired on 20 June 2021. In relation to the Share Option Scheme, 15,547,407 share options were outstanding as at 31 December 2023, 30,120,543 share options were lapsed and no share option was exercised or cancelled under the Share Option Scheme during the year ended 31 December 2023. The Company has approved and adopted a new share option scheme on 28 May 2021 (the "**2021 Share Option Scheme**") to continue the grant of share options to eligible participants as incentives or rewards for their contribution or potential contribution to the Group. As at 31 December 2023, no share options have been granted under the 2021 Share Option Scheme.

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

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 C1 to the Listing Rules as its corporate governance code of practices. In the opinion of the Board, the Company had complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2023.

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 C3 of the Listing Rules (the "**Model Code**") as the code for dealing in securities of the Company by the Directors during the year ended 31 December 2023. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code for the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE AND REVIEW OF THE AUDITED ANNUAL RESULTS

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

The Audit Committee 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 Audit Committee has reviewed the Company's audited consolidated financial statements for the year ended 31 December 2023 which have been agreed by the auditors of the Company, and is of the view that the Group's audited consolidated financial statements for the year ended 31 December 2023 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

The Audit Committee has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and risk and management systems and financial reporting matters of the Group.

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's independent auditor, Baker Tilly Hong Kong Limited ("**Baker Tilly HK**"), which is consistent with the figures set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by Baker Tilly HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Baker Tilly HK on this preliminary announcement of results.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2023 (2022: nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Tuesday, 28 May 2024. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS TO ASCERTAIN SHAREHOLDERS' ENTITLEMENT TO ATTEND AND VOTE AT THE AGM

In order to determine who are eligible to attend and vote at the AGM, the Company's register of members will be closed from Thursday, 23 May 2024 to Tuesday, 28 May 2024 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to be qualified to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 22 May 2024.

PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the Company's website at http://www.zallcn.com. The annual report for the year ended 31 December 2023 of the Group containing all the information required by the Listing Rules is expected to be published on the same websites and be dispatched to the shareholders of the Company in due course.

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

Hong Kong, 28 March 2024

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