ZALL 卓尔智联

Zall Smart Commerce Group Ltd.

卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "**Board**") of directors (the "**Directors**") of Zall Smart Commerce Group Ltd. (the "**Company**" or "**Zall Smart**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024, together with the unaudited comparative figures for the preceding period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2024 — unaudited
(Expressed in Renminbi)

		For the six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	*3(a)*	**68,276,396**	54,931,545
Cost of sales		**(67,912,566)**	(54,532,092)
Gross profit		**363,830**	399,453
Other net income/(loss)	*4*	**55,065**	(36,541)
Selling and distribution expenses		**(122,849)**	(104,242)
Administrative and other expenses		**(193,692)**	(210,425)
Impairment loss (recognised)/reversed under expected credit loss model, net		**(42,596)**	50,430
Gain from operations before changes in fair value of investment properties		**59,758**	98,675
Net valuation gain on investment properties	*8*	**294,534**	112,410

	Note	For the six months ended 30 June **2024** *RMB'000*	2023 *RMB'000*
Profit from operations		**354,292**	211,085
Finance income	*5(a)*	**122,803**	159,746
Finance costs	*5(a)*	**(338,891)**	(313,245)
Share of net profits of associates		**651**	831
Share of net losses of joint ventures		**(223)**	(550)
Profit before taxation	*5*	**138,632**	57,867
Income tax	*6*	**(97,872)**	(20,715)
Profit for the period		**40,760**	37,152
Attributable to:			
Equity shareholders of the Company		**49,817**	22,364
Non-controlling interests		**(9,057)**	14,788
Profit for the period		**40,760**	37,152
Earnings per share (RMB cents)			
Basic and diluted	*7*	**0.40**	0.18

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2024 — unaudited
(Expressed in Renminbi)

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Profit for the period	**40,760**	37,152
Other comprehensive (loss)/income for the period		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of foreign operations, with nil tax impact	**(2,682)**	7,812
Other comprehensive (loss)/income for the period	**(2,682)**	7,812
Total comprehensive income for the period	**38,078**	44,964
Attributable to:		
Equity shareholders of the Company	**47,135**	30,176
Non-controlling interests	**(9,057)**	14,788
Total comprehensive income for the period	**38,078**	44,964

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2024 — unaudited
(Expressed in Renminbi)

	Note	**As at 30 June 2024** **_RMB'000_**	As at 31 December 2023 *RMB'000*
Non-current assets			
Investment properties	*8*	**24,786,822**	24,466,240
Property, plant and equipment	*9*	**322,559**	348,144
Intangible assets		**419,217**	428,286
Goodwill		**251,498**	251,498
Interests in associates		**332,299**	282,648
Interests in joint ventures		**18,272**	18,495
Equity investments at fair value through other comprehensive income		**3,000**	3,000
Contract assets		**30,418**	30,418
Deferred tax assets		**460,174**	468,045
		26,624,259	26,296,774
Current assets			
Inventories		**5,214,250**	4,779,687
Trade and other receivables	*10*	**23,215,316**	20,055,402
Financial assets at fair value through profit or loss		**257,004**	264,416
Amounts due from related parties and non-controlling shareholders of subsidiaries		**1,212,745**	924,025
Prepaid taxes		**28,577**	34,066
Pledged bank deposits		**5,322,121**	9,641,308
Cash and cash equivalents		**2,024,826**	1,782,996
		37,274,839	37,481,900

	Note	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000
Current liabilities			
Trade and other payables	*11*	**14,793,046**	17,927,188
Contract liabilities		**13,934,114**	10,395,307
Lease liabilities		**11,193**	17,081
Amounts due to related parties and non-controlling shareholders of subsidiaries		**1,371,158**	1,020,646
Interest-bearing borrowings	*12*	**11,662,889**	10,405,065
Current taxation		**573,264**	547,033
		42,345,664	40,312,320
Net current liabilities		**(5,070,825)**	(2,830,420)
Total assets less current liabilities		**21,553,434**	23,466,354
Non-current liabilities			
Interest-bearing borrowings	*12*	**2,846,035**	4,863,205
Deferred income		**2,160**	3,296
Lease liabilities		**13,759**	16,902
Deferred tax liabilities		**4,446,829**	4,376,266
		7,308,783	9,259,669
NET ASSETS		**14,244,651**	14,206,685
CAPITAL AND RESERVES	*13*		
Share capital		**34,454**	34,454
Reserves		**13,812,578**	13,769,807
Total equity attributable to equity shareholders of the Company		**13,847,032**	13,804,261
Non-controlling interests		**397,619**	402,424
TOTAL EQUITY		**14,244,651**	14,206,685

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

The interim condensed consolidated financial information 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 30 August 2024.

The interim condensed consolidated financial information has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of interim condensed consolidated financial information 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 condensed consolidated financial information contains condensed consolidated financial information 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 2023 annual financial statements. These interim condensed consolidated financial information and notes thereon do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2023.

The financial information relating to the year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2023 are available from the Company's registered office. In the auditor's report dated 28 March 2024, 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 2024, the Group had net current liabilities of approximately RMB5,070,825,000. 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 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 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 but not limited to the following:

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

— 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 funding by bank borrowings, where appropriate; and

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

In addition, as disclosed in note 12, bank loans and loans from other financial institutions of RMB5,294,641,000 (31 December 2023: 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 30 June 2024. The Group considered it has sufficient collateral to support the roll-over or refinancing of a substantial portion of the existing borrowing 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, value and volatility of value of its overall property portfolio, including those properties that are currently not pledged.

After considering the above, 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 condensed consolidated financial information for the six months ended 30 June 2024 has 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 operated 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 interim condensed consolidated financial information.

The interim condensed consolidated financial information is unaudited and has not been reviewed by the Company's auditor, but has been reviewed by the audit committee of the Company (the "**Audit Committee**").

2 CHANGES IN ACCOUNTING POLICIES

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are relevant and mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's interim condensed consolidated financial information.

Amendments to IAS 1 Presentation of financial statements:	Classification of liabilities as current or non-current ("**2020 amendments**")
Amendments to IAS 1 Presentation of financial statements:	Non-current liabilities with covenants ("**2022 amendments**")

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IAS 1, *Presentation of financial statements ("2020 and 2022 amendments", or collectively the "IAS 1 amendments")*

The IAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package.

The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification. The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions in a full set of financial statements.

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current and did not identify any reclassification to be made.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15:		
Disaggregated by major products or service lines		
— Revenue from sales of properties and related services	**54,321**	64,112
— Revenue from supply chain management and trading business	**68,047,691**	54,678,564
— Others	**9,688**	13,091
	68,111,700	54,755,767
Revenue from other sources		
Gross rentals from investment properties		
— Lease payments that are fixed	**122,416**	115,408
Financing income	**31,029**	34,924
Others	**11,251**	25,446
	164,696	175,778
	68,276,396	54,931,545
Revenue from contracts with customers within the scope of IFRS 15:		
Disaggregated by geographical markets		
— The PRC	**55,771,083**	53,210,516
— Singapore	**12,340,617**	1,545,251
Total	**68,111,700**	54,755,767
Timing of revenue recognition		
A point in time	**68,064,119**	54,707,589
Over time	**47,581**	48,178
Total	**68,111,700**	54,755,767

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 six months ended 30 June 2024 and 2023.

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

As at 30 June 2024, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB183,361,000 (31 December 2023: RMB190,101,000). 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 these contract liabilities as revenue in the 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 2023: 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 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-focused wholesale shopping malls and provides related value-added businesses, 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 trade-related supply chain finance services.

(i) *Segment results, assets and liabilities*

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

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and joint ventures, deferred tax assets, prepaid taxes, and other corporate assets. Segment liabilities include trade creditors, accruals, bills payables 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 other corporate liabilities.

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

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

In addition, management is provided with segment information concerning revenue, 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.

(i) Segment results, assets and liabilities

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 2024 and 2023 is set out below.

	Property development and related services		**Supply chain management and trading**		**Total**	
	2024	2023	**2024**	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue	**176,698**	179,506	**68,090,010**	54,738,948	**68,266,708**	54,918,454
Reportable segment profit	**64,380**	67,061	**(54,301)**	74,881	**10,079**	141,942
Other segment information:						
Net valuation gain on investment properties	**294,534**	112,410	**–**	–	**294,534**	112,410
Finance income	**11**	4	**122,789**	159,737	**122,800**	159,741
Finance costs	**(67,518)**	(99,125)	**(271,347)**	(214,096)	**(338,865)**	(313,221)
Impairment loss (recognised)/reversed under expected credit loss model, net	**(28,027)**	(12,542)	**(14,795)**	56,574	**(42,822)**	44,032
Depreciation and amortisation	**(13,005)**	(7,244)	**(33,679)**	(33,177)	**(46,684)**	(40,421)
Share of net losses of associates	**–**	–	**(2,261)**	(1,164)	**(2,261)**	(1,164)
Share of net losses of joint ventures	**–**	–	**(223)**	(550)	**(223)**	(550)
Additions to non-current segment assets during the period	**2,214**	13,309	**18,038**	73,406	**20,252**	86,715
As at 30 June/31 December						
Reportable segment assets	**28,089,693**	27,898,586	**33,589,743**	34,019,360	**61,679,436**	61,917,946
Reportable segment liabilities	**4,399,745**	3,959,420	**38,727,404**	38,188,836	**43,127,149**	42,148,256

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**68,266,708**	54,918,454
Other revenue	**9,688**	13,091
Consolidated revenue *(note 3(a))*	**68,276,396**	54,931,545
Profit		
Reportable segment profit	**10,079**	141,942
Other net income/(loss)	**55,065**	(36,541)
Net valuation gain on investment properties	**294,534**	112,410
Finance income	**122,800**	159,741
Finance costs	**(338,865)**	(313,221)
Share of net losses of associates	**(2,261)**	(1,164)
Share of net losses of joint ventures	**(223)**	(550)
Unallocated income	**3**	5
Unallocated head office and corporate expenses	**(2,500)**	(4,755)
Consolidated profit before taxation	**138,632**	57,867

(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, 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 assets, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interest in associates and joint ventures.

	Revenue from external customers		**Specified non-current assets**	
	For the six months ended 30 June 2024	For the six months ended 30 June 2023	**As at 30 June 2024**	As at 31 December 2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**55,935,779**	53,386,294	**26,128,637**	25,793,281
Singapore	**12,340,617**	1,545,251	**2,030**	2,030
	68,276,396	54,931,545	**26,130,667**	25,795,311

The analysis above includes property rental income from external customers in the PRC for the six months ended 30 June 2024 of RMB122,416,000 (six months ended 30 June 2023: RMB115,408,000).

4 OTHER NET INCOME/(LOSS)

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Net fair value changes on financial instruments at fair value through profit or loss:		
— listed equity securities	**(1,731)**	(30,559)
— wealth management products and trust products	**10,340**	267
— forward contracts	**12,703**	(7,446)
— contingent consideration	**11,791**	(1,079)
	33,103	(38,817)
Government subsidies	**22,291**	12,910
Others	**(329)**	(10,634)
	55,065	(36,541)

5 PROFIT BEFORE TAXATION

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

(a) Finance (income)/costs

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Finance income		
Interest income from bank deposits	**(122,803)**	(159,746)
Finance costs		
Interest on interest-bearing borrowings	**338,215**	347,066
Interest on lease liabilities	**520**	503
Other borrowing costs	**2,963**	3,958
Less: Amounts capitalised into properties under development	**(42,839)**	(50,406)
	298,859	301,121
Bank charges and others	**42,906**	20,224
Net foreign exchange gains	**(2,874)**	(8,100)
	338,891	313,245

(b) Other items

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Amortisation of intangible assets	**20,611**	21,277
Depreciation on		
— property, plant and equipment (other than right-of-use assets)	**19,076**	12,802
— right-of-use assets	**11,393**	6,767
	51,080	40,846
Staff costs		
— Salaries, wages and other benefits	**119,102**	138,973
— Contributions to defined contribution retirement plans	**10,479**	10,372
	129,581	149,345
Research and development costs (included in administrative and other expenses)	**7,255**	5,789
Impairment losses recognised/(reversed) under expected credit loss model:		
— trade debtors and bills receivable	**6,561**	(35,304)
— rental receivables	**48,111**	54,959
— loans and factoring receivables	**3,688**	38
— other receivables	**(15,341)**	(71,759)
— advance to suppliers	**(423)**	1,636
Cost of commodities sold	**67,897,590**	54,483,824
Cost of properties sold	**3,453**	14,291

6 INCOME TAX

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current tax		
— The PRC Corporate Income Tax ("**PRC CIT**")	**22,635**	19,690
— The PRC Land Appreciation Tax ("**PRC LAT**")	**1,015**	1,109
	23,650	20,799
Deferred tax		
Origination and reversal of temporary differences	**74,222**	(84)
	97,872	20,715

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

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made as the Group did not earn any assessable income subject to Hong Kong Profits Tax for the six months ended 30 June 2024 and 2023.

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

(iii) Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy and e-commerce industry in Guangxi Zhuang Autonomous Region, one subsidiary of the Group is subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2024 and 2023, and two subsidiaries of the Group are subject to PRC CIT at a preferential tax rate of 9% for the six months ended 30 June 2024 and 2023. Pursuant to the rules and regulations applicable to advanced technology enterprises of the PRC, three subsidiaries of the Group are subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2024 and 2023. The application of preferential tax rate is reviewed by the tax authority annually.

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

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

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

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

(v) The Group is within the scope of the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development. The Group applies the IAS 12 exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. While the PRC and the Singapore has yet to introduce its draft legislation for implementation of the Pillar Two Model Rules, including the tax law that implements the global minimum tax and qualified domestic minimum top-up tax, it is expected that the new regime will come into effect for the Group's financial year beginning on 1 January 2025. Based on the assessment for the six months ended 30 June 2024, the Group does not expect to have any Pillar Two exposure (including current tax) arising in these jurisdictions. Overall, based on the assessment for the six months ended 30 June 2024 and the information currently available, the impact of these rules on the Group's income tax position is not expected to be material.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the earnings attributable to ordinary equity shareholders of the Company of RMB49,817,000 (six months ended 30 June 2023: RMB22,364,000) and the weighted average of 12,399,506,000 ordinary shares in issue during the six months ended 30 June 2024 (six months ended 30 June 2023: 12,396,110,000).

(b) Diluted earnings per share

Diluted earnings per share were the same as the basic earnings per share for the six months ended 30 June 2024 and 2023 as the share option of the Company have an anti-dilutive effect on the basic earning per share and are ignored in the calculation of diluted earnings per share (six months ended 30 June 2023: same)

8 INVESTMENT PROPERTIES

The Group's investment properties carried at fair value were revalued as at 30 June 2024 by an independent firm of surveyors, using the same valuation techniques as were used by this valuer when arranging out the December 2023 valuations.

As a result of the update, a net fair value gain of RMB294,534,000 (six months ended 30 June 2023: RMB112,410,000), and deferred tax charge thereof of RMB73,633,000 (six months ended 30 June 2023: RMB28,103,000), has been recognised in profit or loss in respect of investment properties.

As at 30 June 2024, the Group's completed investment properties and investment properties under development with carrying value of RMB11,604,486,000 (31 December 2023: RMB11,597,922,000) in aggregate were pledged as collateral for the Group's interest-bearing borrowings (note 12).

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group entered into several lease agreements for use of office premises and warehouses, and therefore recognised additions to right-of-use assets of RMB11,301,000.

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with aggregate costs of RMB5,136,000 (six months ended 30 June 2023: RMB51,158,000).

Items of property, plant and equipment with net book value of RMB11,554,000 were disposed of during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB11,782,000), resulting in a gain on disposal of RMB37,000 (six months ended 30 June 2023: RMB316,000).

As at 30 June 2024, the ownership certificates for certain buildings with net book value of RMB43,440,000 have not been obtained (31 December 2023: RMB44,700,000).

As at 30 June 2024, the Group's buildings with net book value of RMB62,733,000 (31 December 2023: RMB64,199,000) were pledged as collateral for the Group's interest-bearing borrowings and bills payable respectively (note 12).

10 TRADE AND OTHER RECEIVABLES

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Trade receivables, net of loss allowance	**7,614,694**	7,851,883
Loans and factoring receivables, net of loss allowance	**1,385,651**	1,111,397
	9,000,345	8,963,280
Advances to suppliers	**11,824,269**	9,668,556
Other receivables, deposits and prepayments	**2,390,702**	1,423,566
	23,215,316	20,055,402

As at 30 June 2024, other receivables of RMB8,000,000 (31 December 2023: RMB28,770,000) were pledged as collateral for the Group's interest-bearing borrowings (note 12).

(a) Ageing analysis of trade receivables

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

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Within 6 months	**6,191,736**	6,936,283
Over 6 months but within 12 months	**1,176,924**	675,199
Over 12 months	**246,034**	240,401
	7,614,694	7,851,883

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 2024 *RMB'000*	31 December 2023 *RMB'000*
Secured loans receivable, net of loss allowance (i)	**1,232,006**	929,178
Factoring receivables, net of loss allowance	**153,645**	182,219
	1,385,651	1,111,397

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

Ageing analysis

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

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
Within 6 months	**735,304**	852,958
Over 6 months but within 12 months	**518,534**	89,587
Over 12 months	**131,813**	168,852
	1,385,651	1,111,397

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

11 TRADE AND OTHER PAYABLES

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
Trade and bills payables (i)	**10,553,960**	13,961,086
Receipts in advance (ii)	**69,829**	74,770
Other payables and accruals	**4,169,257**	3,891,332
	14,793,046	17,927,188

(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 2024	31 December 2023
	RMB'000	*RMB'000*
Within 6 months	**8,173,867**	11,750,708
Over 6 months but within 12 months	**662,883**	1,218,824
Over 12 months	**1,717,210**	991,554
	10,553,960	13,961,086

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

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Pledged bank deposits	**5,047,127**	9,266,737
Wealth management products and trust products	**–**	210,000
	5,047,127	9,476,737

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

12 INTEREST-BEARING BORROWINGS

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

	Note	**30 June 2024** *RMB'000*	31 December 2023 *RMB'000*
Current			
Bank loans and loans from other financial institutions	*12(a)*	**5,657,018**	5,388,490
Other loans	*12(b)*	**2,594,346**	646,965
Loans from an entity controlled by Ultimate Controlling Party	*12(c)*	**20,000**	20,000
Discounted bank acceptance bills	*12(d)*	**3,391,525**	4,349,610
		11,662,889	10,405,065
Non-current			
Bank loans and loans from other financial institutions	*12(a)*	**860,027**	1,016,900
Other loans	*12(b)*	**1,986,008**	3,846,305
		2,846,035	4,863,205
		14,508,924	15,268,270

(a) Bank loans and loans from other financial institutions

At 30 June 2024, bank loans and loans from other financial institutions were repayable as follows:

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Within 1 year or on demand	**5,657,018**	5,388,490
After 1 year but within 2 years	**452,913**	548,200
After 2 years but within 5 years	**407,114**	432,700
After 5 years	**–**	36,000
	860,027	1,016,900
	6,517,045	6,405,390

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

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Secured/guaranteed	**5,294,641**	5,527,705
Unsecured	**1,222,404**	877,685
	6,517,045	6,405,390

(ii) At 30 June 2024, certain bank loans and loans from other financial institutions of RMB1,415,510,000 (31 December 2023: RMB1,400,239,000) were guaranteed by related parties and the Group's subsidiaries respectively. Certain bank loans and loans from other financial institutions of RMB3,879,131,000 (31 December 2023: RMB4,127,466,000) were secured by the following assets of the Group:

	Note	**30 June 2024** *RMB'000*	31 December 2023 *RMB'000*
Pledged bank deposits		**131,422**	132,609
Other receivables	*10*	**8,000**	28,770
Completed investment properties and investment properties under development	*8*	**11,604,486**	11,597,922
Properties under development for sale		**780,316**	782,049
Completed properties held for sale		**200,575**	200,514
Property, plant and equipment	*9*	**62,733**	64,199
		12,787,532	12,806,063

(iii) Bank loans and loans from other financial institutions bear fixed interest ranging from 3.45% to 11.75% per annum as at 30 June 2024 (31 December 2023: 3.45% to 12.50% 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. In the event that the Group was to breach such covenants, subject to the nature of the breach, the Group would be subject to penalty and the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants and communicates with its lenders.

As at 30 June 2024, none of the covenants relating to the Group's bank loans and loans from other financial institutions had been breached, except that the Group did not fulfil the financial covenants of bank loans and loans from other financial institutions of RMB737,491,000 (2023: RMB1,277,849,000). These balances were repayable on demand as a result of the breach of financial covenants.

(b) Other loans

As at 30 June 2024, other loans were repayable as follows:

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Within one year or on demand	**2,594,346**	646,965
After 1 year but within 2 years	**1,971,890**	2,994,648
After 2 years but within 5 years	**14,118**	851,657
	4,580,354	4,493,270

As at 30 June 2024, other loans were unsecured (31 December 2023: unsecured) and bear fixed interest ranging from 4.00% to 12.00% (31 December 2023: 4.00% to 12.00% per annum).

(c) Loans from an entity controlled by ultimate controlling party of the Company ("**Ultimate Controlling Party**") are unsecured and bear fixed interest of 5% (2023: 5%) per annum as at 30 June 2024.

(d) The Group has discounted bank acceptance bills of RMB3,391,525,000 as at 30 June 2024 (31 December 2023: RMB4,349,610,000). The Group still retains virtually all its risks and rewards, including the risk of default on discounted bank acceptance bills. Therefore, the Group continued to fully recognise the discounted instruments.

13 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

(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 2024 (six months ended 30 June 2023: Nil).

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

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

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

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Current liabilities:		
Interest-bearing borrowings	**11,662,889**	10,405,065
Lease liabilities	**11,193**	17,081
Non-current liabilities:		
Interest-bearing borrowings	**2,846,035**	4,863,205
Lease liabilities	**13,759**	16,902
Total debt	**14,533,876**	15,302,253
Less: Pledged bank deposits	**(5,322,121)**	(9,641,308)
Cash and cash equivalents	**(2,024,826)**	(1,782,996)
Adjusted net debts	**7,186,929**	3,877,949
Total equity attributable to equity shareholders of the Company	**13,847,032**	13,804,261
Adjusted net debt-to-capital ratio	**51.90%**	28.09%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Consumer product-focused wholesale trading

The Group's core project, North Hankou International Trade Center ("**North Hankou**"), had formed 30 large comprehensive clusters of specialized markets covering small merchandise, branded clothing, hotel supplies, second-hand vehicles, fresh food, etc. It had built commercial theme zones including Hankou Town, Universal Town, Wuhan 1980, and Carnival Theme Park, commercial featured towns such as Flower Town, Flavor Town, and Automobile Town, and modern supply chain projects such as Textile Wharf, Fisherman's Wharf, and Spice Exchange, thus accelerating the establishment of China's largest and world's leading supply chain management center and commercial logistics platform.

In the first half of 2024, North Hankou focused on the optimization and upgrading of the commodity market, deepened the integration of digital and physical, domestic and foreign trade, culture, commerce and tourism, and exhibition and trade, and deeply connected with the source industry chain and the end consumption chain, and vigorously developed the new mode of "industry integration, experiential consumption, trade digitization, supply chain services and new foreign trade business," so as to build a national important base for the integration of the commodity supply chain. North Hankou was awarded the honorary titles of "2023 National Commodity Exchange Market Supply Chain Innovation Demonstration Market" and "2023 Hubei Province Safe Consumption Creation Demonstration Unit."

Internal and external linkage solidly promoted the prosperity of the physical market. In the first half of 2024, North Hankou strengthened the concentration of market elements. Well-known clothing brands, hotel supplies brands, coffee chain brands, etc., had intensively settled in North Hankou. Meanwhile, it strengthened its ability to connect production and sales and reached strategic cooperation with well-known agricultural product processing enterprises in Binzhou City to jointly explore the agricultural industry chain to improve quality and efficiency.

Facilitating the smooth transportation of goods to jointly build a business and service-oriented national logistics hub. In the first half of 2024, North Hankou planned to build a large-scale logistics center to accelerate the construction of express delivery collection and sorting centers, urban logistics and distribution centers, new energy truck rental and sales centers, etc., and to promote the clustered, intensive and refined development of the logistics industry, and to assist Wuhan in creating a business and trade service-oriented national logistics hub.

We innovated our mode of operation by setting up a modern supply chain integration base. In the first half of 2024, the dry spice delivery warehouse (cold storage) of the North Hankou Spice Exchange was officially put into use. Spice Exchange branches were opened in Gaoqiao, Changsha, and Qingyun, Nanchang, which had introduced 24 domestic and foreign spice varieties, becoming a large-scale integrated trading center of "spice direct sourcing" in central and western regions. The Fisherman's Wharf in North Hankou reshaped its channels in a supply chain manner, establishing strategic partnerships with three major marine fishing areas and four well-known terminals, innovating a new seafood supply chain consumption model "from the sea to the market and from the source to the table," becoming the largest direct seafood supply base in Central China.

Our digital and physical integration had made it a better and stronger national e-commerce demonstration base. In the first half of 2024, North Hankou actively participated in the 2024 "I Bring Good Products to Hubei" livestreaming carnival and online shopping festival featuring brand and quality, launched the first "Huafang Cup" (華紡杯) livestreaming e-commerce competition, and linked 30 major professional markets to hold the "North Hankou 618 Good Products Festival," and the North Hankou clothing livestreaming supply chain base had active online transactions. In June, North Hankou Digital Management Platform 2.0 was officially launched, effectively promoting the level of market informatization, intelligent, and digital management.

The integration of culture, business, and tourism created a world shopping park of high quality. During the 1 May Labor Day holiday in 2024, North Hankou relied on Hankou Town, Universal Town, Flower Town, and other featured commercial towns to organize the "North Hankou Colorful Carnival" event, which provided one-stop experiences of RV camping, hot air ballooning, go-kart drifting, etc., and effectively stimulated the vitality of new types of consumption.

Integration of exhibition and trade continued to polish the industry exhibition brand. In the first half of 2024, North Hankou successively held exhibitions and sales activities such as the 2024 North Hankou New Year Goods Festival, the 2024 North Hankou Curtain Industry Spring Ordering Fair, and the 2024 North Hankou Summer Cultural Products Fair. In March, North Hankou Hotel Supplies City organized a number of leading companies in hotel supplies, hotel furniture, kitchenware, etc. to participate in the "Liangzhilong (良之隆) 2024 12th China Food E-commerce Festival."

In January 2024, the Hubei Provincial Government's Work Report 2024 mentioned "the successful holding of more than 60 international and national events such as the Hankou Fair," while the Wuhan Municipal Government's Work Report 2024 proposed "deepening the North Hankou Market Procurement pilot program." In March, the Office of the Wuhan Municipal Government issued the "Implementation Plan on Promoting the Innovation and Development of Foreign Economic and Trade Carriers," which introduced a number of strong policies and measures, such as organizing the Hankou

Fair at a high level, deepening the market procurement pilot project, and accelerating the planning and construction of the Wuhan Exhibition Center in North Hankou, in order to support the upgrading of the development capacity of North Hankou as an important foreign economic and trade carrier in Wuhan, as well as accelerating the innovation and restructuring of the city. On 27 May, a column titled "Developing New Productivity and Promoting High-quality Development" in CCTV's "Evening News" reported on North Hankou's use of digital empowerment to promote the transformation and upgrading of the traditional wholesale market and stimulate new consumption vitality.

Supply Chain Management and Trading

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

Shenzhen Sinoagri E-commerce Co., Ltd. ("**Sinoagri**"), a large-scale B2B trading platform for agricultural products under the Group, adhered to its customer-centric approach and continued to enhance its main business capabilities and the value of its digital services along the industry chain, achieving operating revenue of approximately RMB16.6 billion during the reporting period. At the beginning of the year, international raw sugar prices were generally on the high side and the cost of imported processed sugar remained high. With the continuous decline in international sugar prices and the increase in domestic sugar production, the overall inventory of sugar mills was higher than the level of the same period last year. In addition, market consumption was less than expected and the progress of inventory destocking was slow, causing sugar prices to fall under pressure. Sinoagri had been paying close attention to the sugar market, consolidating and upgrading its main business segments around operation, products and distribution to build up its core competitiveness. In terms of operation, Sinoagri continued to hold customer exchange sessions to further segment customers and optimize product structures based on customer preferences on sugar source, supply and marketing, etc.; in terms of products, using Mutian Mall as the carrier, and on top of consolidating the supply chain of its original advantageous products, it further enriched its product lines and launched nearly 3,500 SKUs of commodities to satisfy customers' demand for one-stop services, and Mutian Mall had 217 newly registered customers, reaching a conversion rate of 55% and a repurchase rate of 31%; in terms of distribution, it further intensified efforts to develop the Eastern China Market. In addition, Sinoagri's agriculture-related business team had established three new business scenarios: supply of sugarcane seedlings, centralized procurement of agricultural inputs and fertilizers, and cooperative planting, covering Guangxi, Yunnan, and other places, serving more than 800 new farmers, and cooperatively planting 4,000 acres of sugarcane. In the spice and condiment sector, Sinoagri achieved an operating revenue of approximately RMB0.2 billion in the first half of the year, and invested in the construction of a condiment processing center in the Aksu region of Xinjiang. The first phase of the cumin production and processing center was about to be completed and put into operation. In the coffee segment, Sinoagri continued to enrich the range of raw bean products, expanded resources in Peru (Arabica coffee), Papua New Guinea, and Costa Rica, and signed a contract with East Timor to build a trading channel for high-end Civet coffee beans. During the reporting period, Sinoagri continued to enhance its product development capabilities and delivery quality and successfully obtained CMMI5 certification. It also signed a contract for the operation of a dedicated data trading service zone in Tianhe District, Guangzhou, and had already uploaded the "Huizhubao" (惠豬寶) and "Sweetness Price Index" (甜味價格指數) data products in the agricultural sector, and six price indices for sweetness, silk spinning, fodder, coffee, chili pepper and rubber. Meanwhile, Sinoagri also focused on enhancing its customer due diligence and risk detection capabilities, and improving its services on reminding and monitoring of customer risks and business performance, with a cumulative total of more than 5,400 customers under its management.

HSH International Inc. ("**HSH**"), a subsidiary of the Group, as a chemical e-commerce company that leads the future, integrates information, commodities, logistics and other resources under the model of 'Platform-based Supply Chain Services' to create an industry chain service targeting the upstream and downstream customers in the chemical and plastics industries, and made a large-scale deployment of the digital supply chain, digital cloud factories, agile warehousing and logistics, and production and financing technology, to build a diverse ecological service system of the industrial Internet. In March, HSH recycled plastics trading service platform was certified by the Global Recycling Standard (GRS), covering 12 categories of products such as PP, PE, ABS, PC, PS, etc., marking another solid step on the road to sustainable development of the Company. The recycled plastics industry pilot park set up by HSH together with Shuangwei Environmental (雙巍環保) integrated research and development, production, sales and service, and was committed to building a 'whole industry chain +' comprehensive recycling and processing system for plastics and PCR renewable resources. Covering an area of 51 acres and equipped with 38 sets of specialized equipment, the plant produced an average of 2,500 tonnes of recycled plastic pellets and 3,000 tonnes of sheets per month, currently serving the fields of wood plastics, flower pots, pipelines, pallets, modified materials, coils, cables, geotechnical engineering, household electrical appliances, automobile parts, etc.. The digital cloud factory for recycled plastics jointly built by the two parties provided customers with a full lifecycle of services, including product design, production, distribution, maintenance and after-sales services. As of June 2024, it had linked more than 120 downstream plastics enterprises and supplied a cumulative total of 20,000 tonnes of raw materials. HSH also continued to improve its Supply Chain SCM Management System 2.0, which provided tens of thousands of plastic enterprises with supply chain services such as online trading, pricing and transaction information, payment and settlement, warehousing and processing, logistics and distribution, etc. In terms of intelligent risk control, the system had completed the risk control models of more than 25,000 enterprises in the plastics manufacturing industry (including packaging, wire and cable, home appliances, auto parts, daily necessities, plastic pipes, and other production enterprises, etc.), so as to ensure that the risks of enterprises participating in transactions on the platform could be controlled. As of June 30, 2024, the cumulative number of customers on the HSH platform reached 53,174, with an operating revenue of approximately RMB13.9 billion.

In the ferrous commodities sector, Shanghai Zall Steel E-commerce Co., Ltd.* (上海卓鋼鏈電子商務有限公司) ("**Zall Steel**"), a subsidiary of the Group, continued to build service platforms with smart trading as its mainstay and supply chain services and technology services as its two arms, and used technologies such as blockchain and big data to build six service platforms comprising smart trading, supply chain service, SaaS cloud service, warehousing and Internet of Things, smart logistics, and data information, to promote the reform of the steel industry with the dual drive of technology and business and achieve the intelligent upgrade of the steel industry chain. During the reporting period, the business of Zall Steel continued to make breakthroughs in development. The "multi-bank, multi-product" supply chain service supermarket, which was innovatively created by collaborating with multiple financial institutions, continued to provide customers with direct, safe, convenient and efficient online supply chain services, solving the financing difficulties in the steel industry chain; lightweight customized SaaS system services, covering all business scenarios of the industry chain market, achieved seamless management of the entire process of sales, customers, projects, production, inventory, purchasing, human resources, finance, and office, and had already served more than 2,000 customers, including large-scale centralized state-owned enterprises. The multi-dimensional and all-rounded intelligent warehousing and logistics system had been further optimized, providing all parties in the ferrous commodity supply chain with safe, highly efficient, intelligent and convenient warehousing, supervision and processing services. As of June 2024, Zall Steel had established 30 trading service centers across the country, radiating to more than 310 cities in 32 provinces, serving more than 70,000 members with 32 ZCH (卓倉匯) standard warehouses. It had provided one-stop supply chain integration service solutions to a number of large-scale centralized state-owned enterprises and leading enterprises in the industry, including those engaged in infrastructure, photovoltaic, new energy automobile, power grid, etc., and has successfully provided services to 685 livelihood and high-end manufacturing projects. Meanwhile, Zall Steel had been actively exploring overseas markets and promoting domestic quality steel products to the international market. In February, the first cross-border export business of Zall Steel was successfully completed. Hot rolled high tensile steel produced by domestic steel mills was delivered to Saudi Arabia by sea and was used in the construction of a terminal photovoltaic project there. During the reporting period, the operating revenue of Zall Steel was approximately RMB10.8 billion. Its quality products and services were widely recognized by society and the industry, and it was awarded the honors of Shanghai E-commerce Demonstration Enterprise, Shanghai Contract Abiding and Creditable Enterprise, Shanghai Jiading District Top 50 Modern Service Industries, Nanxiang Town Top 10 Modern Service Industries (Ranked No. 1) in 2023, and China Industrial Goods Digitization Pioneer in 2024, among others.

In respect of the global commodities online trading sector, the Group's Commodities Intelligence Center Pte. Ltd. ("**CIC**") had 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 June 2024, the CIC platform had 16,486 registered users, with a total GMV of nearly US$20.6 billion. The main product categories traded included 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 continuously reduce costs, broaden channels, improve transaction efficiency, and assist in promoting the development of international trade. As of 30 June 2024, CIC achieved operating revenue of approximately RMB12.3 billion.

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

FUTURE PROSPECTS

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

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

INVESTMENT PORTFOLIO

The portfolio of listed equity investments of the Group as at 30 June 2024 and 31 December 2023 were as follows:

As at 30 June 2024

Stock code	**Name of investee company**	**Number of shares held**	**Effective shareholding interest**	**Acquisition cost** *RMB'000*	**Carrying amount as at 30 June 2024** *RMB'000*	**Unrealised holding loss arising on revaluation for the six months ended 30 June 2024** *RMB'000*	**Realised holding loss arising on disposal for the six months ended 30 June 2024** *RMB'000*	**Dividend received for the six months ended 30 June 2024** *RMB'000*
00607.HKEX	Fullshare Holdings Limited ("**Fullshare**")	11,819,250	1.86%	620,157	5,016	1,732	–	–

As at 31 December 2023

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

As at 30 June 2024, the Group held approximately 11,819,250 (31 December 2023: 11,819,250) shares in Fullshare, representing approximately 1.86% of its entire issued share capital (31 December 2023: 1.86%). Fullshare is listed on the Main Board of The Stock Exchange of Hong Kong Limited. Its principal activities are property development and investment, tourism, investment and financial services, provision of healthcare and education products and services business and new energy business. The Group recognized an unrealised holding loss of approximately RMB1.7 million for the six months ended 30 June 2024 (for the six months ended 30 June 2023: an unrealised holding loss of approximately RMB30.4 million). The carrying amount of investment in Fullshare accounts for approximately 0.01% of the Group's total assets as at 30 June 2024 (31 December 2023: approximately 0.01%). The Group would like to emphasize that the unrealised holding loss is non-cash in nature and relates to the change in fair value of the Group's investment in Fullshare that is volatile in nature. The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

RESULTS OF OPERATION

Operating revenue

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
— Revenue from sales of properties and related services	**54,321**	64,112
— Revenue from supply chain management and trading business	**68,047,691**	54,678,564
— Others	**9,688**	13,091
	68,111,700	54,755,767
Revenue from other sources		
Gross rentals from investment properties		
— Lease payments that are fixed	**122,416**	115,408
Financing income	**31,029**	34,924
Others	**11,251**	25,446
	68,276,396	54,931,545

Revenue of the Group increased by approximately 24.3% from approximately RMB54,931.5 million for the six months ended 30 June 2023 to approximately RMB68,276.4 million for the six months ended 30 June 2024. 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 99.7% of the Group's total revenue for the six months ended 30 June 2024, and increased by approximately 24.5% compared to that from the same period last year due to the increase in the scale of supply chain management and trading business.

Rental income from investment properties

The Group's rental income increased from approximately RMB115.4 million for the six months ended 30 June 2023 to approximately RMB122.4 million for the six months ended 30 June 2024, primarily due to the increase in the number of new tenants and rented areas during the reporting period.

Revenue from financing income

The Group's financing income decreased by approximately 11.2% from approximately RMB34.9 million for the six months ended 30 June 2023 to approximately RMB31.0 million for the six months ended 30 June 2024. The decrease was mainly due to the decrease in the scale of supply chain finance business of Shenzhen Sinoagri compared with that from the same period last year.

Revenue from sales of properties and related services

Revenue from the sale of properties and related services decreased by approximately 15.3% from approximately RMB64.1 million for the six months ended 30 June 2023 to approximately RMB54.3 million for the six months ended 30 June 2024.

The Group's revenue from sales of properties was generated from the sales of retail shops and auxiliary facilities units. 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 2024.

Cost of sales

Cost of sales of the Group increased by approximately 24.5% from approximately RMB54,532.1 million for the six months ended 30 June 2023 to approximately RMB67,912.6 million for the six months ended 30 June 2024, which was in line with the increase in revenue.

Gross profit

Gross profit of the Group decreased by approximately 8.9% from approximately RMB399.5 million for the six months ended 30 June 2023 to approximately RMB363.8 million for the six months ended 30 June 2024. The Group's gross profit margin decreased from approximately 0.7% in the first half of 2023 to approximately 0.5% in the first half of 2024. It was mainly attributable to the decrease in the gross profit margin from the supply chain management and trading business for the six months ended 30 June 2024.

Other net income/(loss)

Other net income of the Group was approximately RMB55.1 million for the six months ended 30 June 2024, compared to other net loss of approximately RMB36.5 million for the six months ended 30 June 2023. The change was mainly attributable to (i) the decrease in net loss in fair value change on listed equity securities of approximately RMB28.8 million; (ii) the increase in net gain in fair value change on wealth management products and trusts products and contingent consideration of approximately RMB22.9 million; and (iii) the net gain in fair value change on forward contracts of approximately RMB12.7 million for the six months ended 30 June 2024, as compared to the net loss of approximately RMB7.4 million for the same period last year.

Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately 17.8% from RMB104.2 million for the six months ended 30 June 2023 to approximately RMB122.8 million for the six months ended 30 June 2024. The increase was primarily due to the increase in promotion expenses of approximately RMB18.7 million.

Administrative and other expenses

Administrative and other expenses of the Group decreased by approximately 8.0% from approximately RMB210.4 million for the six months ended 30 June 2023 to approximately RMB193.7 million for the six months ended 30 June 2024. The decrease was mainly due to the decrease in staff costs of approximately RMB19.1 million.

Impairment loss (recognised)/reversed under expected credit loss model, net

Impairment loss recognised under expected credit loss model of the Group for the six months ended 30 June 2024 was approximately RMB42.6 million, as compared to impairment loss reversed of approximately RMB50.4 million for the same period last year. The change was mainly caused by (i) impairment loss reversed on trade debtors and bills receivable of approximately RMB35.3 million for the six months ended 30 June 2023, compared to impairment loss of approximately RMB6.6 million for the six months ended 30 June 2024; and (ii) a decrease in impairment loss reversed on other receivables of approximately RMB56.4 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 gain on investment properties increased by approximately 162.0% from approximately RMB112.4 million for the six months ended 30 June 2023 to approximately RMB294.5 million for the six months ended 30 June 2024. The increase was mainly caused by the slight valuation gain for existing investment properties. The return of investment properties remains stable and the Group will closely monitor the performance of its investment and adjust its investment plan when necessary.

Finance income and costs

Finance income of the Group decreased by approximately 23.1% from approximately RMB159.7 million for the six months ended 30 June 2023 to approximately RMB122.8 million for the six months ended 30 June 2024. The decrease was mainly caused by the decrease in bank deposits during the period.

Finance cost of the Group increased by approximately 8.2% from approximately RMB313.2 million for the six months ended 30 June 2023 to approximately RMB338.9 million for the six months ended 30 June 2024. The increase was mainly caused by the increase in bank charges and others.

Share of net profits of associates

Share of net profits of associates decreased by approximately 21.7% from approximately RMB0.8 million for the six months ended 30 June 2023 to approximately RMB0.7 million for the six months ended 30 June 2024. The decrease was mainly attributed to the decrease in profits of associates during the period.

Share of net losses of joint ventures

Share of net losses of joint ventures of the Group decreased by approximately 59.5% from approximately RMB0.6 million for the six months ended 30 June 2023 to approximately RMB0.2 million for the six months ended 30 June 2024. The decrease was mainly attributed to the decrease in losses of joint ventures during the period.

Income tax

Income tax increased by approximately 372.5% from approximately RMB20.7 million for the six months ended 30 June 2023 to approximately RMB97.9 million for the six months ended 30 June 2024. The increase was mainly due to the recognition of deferred tax expense on net valuation gain on investment properties and reversal of deferred tax asset upon receiving a waiver on other interest payable during the period.

Profit for the period

For the six months ended 30 June 2024, the Group recorded a net profit of approximately RMB40.8 million, representing an increase of approximately 9.7% over the amount of approximately RMB37.2 million for the six months ended 30 June 2023.

Liquidity and capital resources

As at 30 June 2024, the Group had net current liabilities of approximately RMB5,070.8 million (31 December 2023: approximately RMB2,830.4 million) and net assets of approximately RMB14,244.7 million (31 December 2023: approximately RMB14,206.7 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 supply chain management and trading business and rentals from investment properties to generate additional operating cash inflows, negotiating with banks and other financial institutions for roll-over or re-financing its existing borrowings, and considering raising additional capital by bank borrowings and disposing of non-core businesses and assets, where appropriate. As at 30 June 2024, equity attributable to equity shareholders of the Company amounted to approximately RMB13,847.0 million (31 December 2023: approximately RMB13,804.3 million), comprising issued capital of approximately RMB34.5 million (31 December 2023: approximately RMB34.5 million) and reserves of approximately RMB13,812.6 million (31 December 2023: approximately RMB13,769.8 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 2024, the Group's cash and cash equivalents amounted to approximately RMB2,024.8 million (31 December 2023: approximately RMB1,783.0 million). The Group regularly and closely monitors its funding and treasury position to meet the funding requirements of the Group by taking into consideration of the changes in economic conditions, future capital requirements and projected strategic investment opportunities.

Interest-bearing borrowings

The Group's total interest-bearing borrowings decreased by approximately 5.0% from approximately RMB15,268.3 million as at 31 December 2023 to approximately RMB14,508.9 million as at 30 June 2024. 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 2024 are set out in note 12 to the unaudited condensed consolidated interim results of the Company in this announcement.

Net gearing ratio

The Group's net gearing ratio increased from approximately 28.1% as at 31 December 2023 to approximately 51.9% as at 30 June 2024. The increase in net gearing ratio was mainly due to the decrease 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 2024, 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 2024, the Group had pledged certain of its assets with a total book value of approximately RMB16,179.1 million (31 December 2023: approximately RMB17,155.7 million) and a total book value of approximately RMB5,047.1 million (31 December 2023: approximately RMB9,476.7 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 2024. 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 2024 are set out in note 8 to the unaudited condensed consolidated interim results of the Company in this announcement.

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

Save as disclosed above, the Group did not have other significant investments and future plans for the six months ended 30 June 2024.

Segment reporting

Details of the segment reporting of the Group for the six months ended 30 June 2024 are set out in note 3 to the unaudited condensed consolidated interim results of the Company in this announcement.

Contingent liabilities

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

As at 30 June 2024, the guarantees in relation to mortgage facilities granted to purchasers of the Group's properties amounted to approximately RMB130.1 million (31 December 2023: approximately RMB137.1 million). As at 30 June 2024, the Group provided a financial guarantee to third parties of approximately RMB246.6 million as at 30 June 2024 (31 December 2023: approximately RMB292.0 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 2024. For details, please refer to note 2 to the unaudited condensed consolidated interim results of the Company in this announcement.

EVENTS AFTER REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group employed a total of 1,628 full time employees (30 June 2023: 1,734). Remuneration for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2024, the employee benefit expenses were approximately RMB129.6 million (for the six months ended 30 June 2023: approximately RMB149.3 million).

The Group has also adopted a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants, including the Directors, and full-time or part-time employees, executives or officers of the Group who had contributed to the success of the Group's operations. The Share Option Scheme has expired on 20 June 2021. In relation to the Share Option Scheme, 15,547,407 share options were outstanding as at 30 June 2024, no share option was lapsed, exercised or cancelled under the Share Option Scheme during the period. The Company has approved and adopted a new share option scheme (the "**2021 Share Option Scheme**") on 28 May 2021 to continue the grant of share options to eligible participants as incentives of rewards for their contribution or potential contribution to the Group. As at 30 June 2024, no share option had been granted under the 2021 Share Option Scheme.

The Group has also adopted a share award scheme (the “**Share Award Scheme**”) on 10 December 2021 to recognise the contributions by any employees (including without limitation any director) of any member of the Group, who the administration committee of the Board considers, in their absolute discretion, to have contributed or will contribute to the Group, and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. During the six months ended 30 June 2024, 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 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 2024.

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 six months ended 30 June 2024. 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 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

REVIEW OF THE INTERIM RESULTS

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2024. The Audit Committee has reviewed with the management of the Company and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control, risks management and financial reporting matters of the Group.

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.zallcn.com. The interim report for the six months ended 30 June 2024 of the Group containing all the information required by the Listing Rules will also be published on the same websites and dispatched to the shareholders of the Company in due course.

By order of the Board
Zall Smart Commerce Group Ltd.
Yan Zhi
Chairman

Hong Kong, 30 August 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; and Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu are independent non-executive Directors.