

ZALL 卓尔智联

Zall Smart Commerce Group Ltd.

卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2098.HK

DIGITAL CLOUD SERVICES

SUPPLY CHAIN FINANCE

INDUSTRIAL E-COMMERCE

LOGISTICS

WAREHOUSING

LIVE STREAMING

WHOLESALE MARKET



INTERIM REPORT 2024



About Zall Smart Commerce Group Ltd.

Zall Smart Commerce Group is committed to becoming the world's leading digital trade platform. Based on the two major trading scenarios of commodities and wholesale market, the Group constructs and operates B2B trading platforms for consumer goods, agricultural products, iron and steel, chemical plastic, cross-boarder trading, etc., providing partners with diversified and full-ranged trading services as well as supply chain services including logistics, warehousing, financial, and information services. The Group taps into the "New Mode of Trading" and leverages digital technologies such as big data, artificial intelligence and blockchain to construct the "B2B trading service + supply chain service + digital technology cloud service" system, with a view to facilitating enterprises on cost reduction, increasing efficiency, and further boosting the synergy of, among others, transaction efficiency, warehousing, logistics and capital efficiency.

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Corporate Information

DIRECTORS

Executive Directors	Mr. Yan Zhi (<i>Chairman and Co-chief executive officer</i>) Dr. Gang Yu Mr. Qi Zhiping (<i>Co-chief executive officer</i>) Mr. Yu Wei Mr. Xia Lifeng (<i>Resigned on 1 January 2024</i>) Ms. Fan Xiaolan (<i>Appointed on 1 January 2024</i>)
Independent Non-Executive Directors	Mr. Cheung Ka Fai Mr. Wu Ying Mr. Zhu Zhengfu
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head Office in the PRC	No. 1 Enterprise Community 1 Chutian Avenue Panlongcheng Economics and Technology Development Zone Wuhan, Hubei Province China 430000
Principal Place of Business in Hong Kong	Suite 2101, 21st Floor Two Exchange Square Central Hong Kong
Audit Committee	Mr. Cheung Ka Fai (<i>Chairman</i>) Mr. Wu Ying Mr. Zhu Zhengfu
Nomination Committee	Mr. Wu Ying (<i>Chairman</i>) Mr. Yan Zhi Mr. Cheung Ka Fai
Remuneration Committee	Mr. Zhu Zhengfu (<i>Chairman</i>) Mr. Qi Zhiping Mr. Wu Ying

Corporate Information (continued)

Risk Management Committee	Mr. Zhu Zhengfu (<i>Chairman</i>) Mr. Cheung Ka Fai Mr. Qi Zhiping
Company Secretary	Ms. Tan Huali
Company Website	http://www.zallcn.com/
Authorised Representatives	Mr. Qi Zhiping Ms. Tan Huali
Hong Kong Share Registrar	Union Registrars Limited Suites 3301–04, 33/F Two Chinachem Exchange Square 338 King’s Road North Point Hong Kong
Principal Share Registrar and Transfer Office	Suntera (Cayman) Limited Suite 3204, Unit 2A, Block 3 Building D, P.O. Box 1586 Gardenia Court, Camana Bay Grand Cayman, KY1-1100 Cayman Islands
Legal Advisors	P. C. Woo & Co. Sidley Austin
Principal Bankers	China Construction Bank China Mingsheng Bank China Resources Bank of Zhuhai China Everbright Bank

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Zall Smart Commerce Group Ltd. (the "Company" or "Zall Smart Commerce"), I am pleased to present the interim report of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2024.

In the first half of 2024, despite the complex domestic and international environment, we remained steadfast in our goals and confidence. We actively seized opportunities from the new wave of technological revolution and industrial transformation, accelerated the pace of digital integration, and expanded the scale of digital trade, resulting in steady growth in our results.

To build a modern supply chain system and achieve synergistic development both online and offline, we further focused on trade logistics and supply chain management in the first half of the year. We empowered the North Hankou market with supply chain thinking to enhance its quality, expanded our market share of commodities through category and service extension, continued to strengthen the Group's core competitiveness, actively practiced ESG development principles, and adhered to quality management innovation. The Company received numerous recognitions, including the 8th Wuhan Mayor's Quality Award, Southern Weekly China Corporate Social Responsibility List, and the Golden Award (金格獎) for Excellence in ESG Sustainable Development. Our Fortune China 500 ranking improved by 13 places.

Deepen and penetrate industry segments and accelerate the flow of data elements

Currently, the global economic recovery remained sluggish, and commodity prices fluctuated with increasing market competition. We adhered to the philosophy of "Connecting the world's business with intelligence and creating value through services." The Group continued to focus on sectors such as agricultural products, ferrous metals, chemicals, and plastics. We expanded into niche markets to explore growth opportunities and unleashed the value of data elements through technological and service innovations, providing new momentum to the Group's high-quality development.

In the first half of the year, Sinoagri made significant efforts in several segments, including shelving over 3,000 SKUs of sweet products, expanding coffee resources in Peru, Costa Rica, and other countries, and establishing a trading channel for high-end Civet coffee beans. In the spices segment, we also set up seasoning processing centers in Aksu, Xinjiang, providing over 200 SKUs of spot products and customized R&D for products such as crushed spice, spice powder and cumin to nearly 2,000 end-user enterprises in Chengdu and Chongqing. Zall Steel offered one-stop supply chain integration services to large end-use steel enterprises in infrastructure, photovoltaics, new energy automobiles, power grids, and other sub-markets. Zall Steel also responded to China's "One Belt, One Road" strategy, developing cross-border trade and successfully delivering hot-rolled high-strength steel to Saudi Arabia to empower the construction of end-use photovoltaic projects. HSH further expanded into new materials like PET and ABS, focused on recycled plastics, strengthened product R&D and standardization, with several products certified by the GRS (Global Recycled Standard), and its services covered pipelines, cables, automotive parts, home appliances, modified materials, and more, with a front warehouse set up in Southwest China to enhance delivery efficiency.

Chairman's Statement (continued)

With the application of big data, artificial intelligence, and other digital technologies, we fully explored and released the value of industrial data elements. Sinoagri and HSH established digital “cloud factories” in fields like cocoon silk, feed, and recycled plastics. These factories linked the entire process from raw material procurement, production standardization management, to platform sales, shifting from a push-type supply chain mode of “production-determined-marketing” to the pull-type supply chain mode of “marketing-determined-production”, making procurement, production, trading, storage, and logistics more flexible, helping the production side reduce costs and increase efficiency. To create digital application tools to help industry players improve the efficiency of operation and decision-making, Zall Steel’s customized SaaS service system was introduced to a number of corporate clients, and Sinoagri was developing the “AI Sugar” big model version 2.0 to continue promoting industry digitization.

Supply Chain Reshapes North Hankou’s Business Model, Stimulating New Vitality of Market Consumption

Dedicated to building a “China’s first-class and world-leading” trade and logistics platform, North Hankou International Trade Center (“North Hankou”) continued to improve the commercial infrastructure facilities such as modern warehousing and logistics, cold chain logistics, and e-commerce logistics. We aimed to cultivate and strengthen supply chain functions and vigorously developed a new model of “industry integration, experiential consumption, trade digitization, supply chain services, and new foreign trade” in an integrated manner, to form a nationally important commodity supply chain integration base.

By deeply connecting with the source industry chain and end consumption chain, North Hankou accelerated the creation of a modern supply chain system with significant influence. The Spice Exchange introduced 24 domestic and foreign pepper varieties from India, Vietnam, Xinjiang, etc., and established branches in Changsha, Nanchang, Zhengzhou, Tuo Cheng and more, building a service network covering central China’s four provinces. By linking the three major sea areas and four well-known terminals in China, Fisherman’s Wharf innovatively created a new seafood supply chain consumption model “from the sea to the market, from the source to the dining table.” It already deployed offline distribution offices in Shanghai, Hangzhou, Suzhou and Wuhan. Huafanglian built the province’s textile and apparel industrial center and launched version 2.0 of the textile and apparel digital service platform, promoting nearly 9,000 companies to the “chain”, accelerating the restructuring of the textile and apparel industry chain, and enhancing the overall competitiveness of the industry. To improve supply chain support services, North Hankou further planned to build a large logistics center, accelerated the introduction and construction of express delivery collection and sorting centers, urban logistics and distribution centers, etc., and continued to support Wuhan in building a business and trade service-oriented national logistics hub.

We vigorously promoted the integration of digital and real, business and tourism, exhibition and trade, and promoted the prosperity of the business and trade. In the first half of the year, North Hankou not only held online and offline activities such as the Spring Ordering Fair for the Curtain Industry, the Summer Cultural Products Expo, the First “Huafang Cup” (華紡杯) livestreaming e-commerce competition and the “North Hankou 618 Good Products Festival, but also organized holiday experience activities in featured commercial towns like Hankou Town, Universal Town, and Flower Town. These activities provided merchants with a high-quality platform to display and sell their products and offered the public a pleasant shopping experience and cultural enjoyment, greatly stimulating market consumption vitality and accelerating Wuhan’s progress in building an international consumption center.

Chairman's Statement (continued)

Strengthening the construction of international trade platforms to facilitate the development of domestic and international trade integration

Against the backdrop of globalization, digital trade platforms played an increasingly important role as a bridge to the global market. Dedicated to becoming the world's leading digital trade platform, Zall Smart insisted on its internationalization development strategy. While actively exploring new modes and measures for integrated development of domestic and foreign trade, we continued to strengthen the service capacity of our international trade platform and promoted the integration of domestic and foreign trade.

Since 2016, North Hankou launched the national market procurement pilot project, the first pilot mart in central and western China. Over the past seven years, the market actively promoted the integration and development of new business modes, such as "market procurement + cross-border e-commerce + foreign integrated services + overseas warehouses," with a cumulative export turnover of over 18 billion U.S. dollars. In the first half of 2024, the Office of the Wuhan Municipal Government issued the "Implementation Plan on Promoting the Innovation and Development of Foreign Economic and Trade Carriers," proposing strong policies and measures, such as organizing the Wuhan Commodities Fair at a high level and deepening the pilot market procurement trades, to support North Hankou's development as an important foreign economic and trade carrier in Wuhan, as well as accelerating its innovation and transformation. It was expected that the plan's implementation would greatly enhance North Hankou's carrying capacity, competitiveness, and influence in foreign trade, accelerating its transformation into an important international commerce, trade, and logistics hub.

In addition, through international trade platforms such as the Commodities Intelligence Center Pte. Ltd. ("CIC"), the Group actively participated in global industry chain collaboration, providing one-stop digital services such as trade matching, supply chain logistics, supply chain finance, and global compliance monitoring for global traders. Main trading categories included coal, nickel ores, copper ores, and iron ores. By utilizing data elements to build the international trade data search platform, TradeData.pro, CIC expanded its business to over 30 countries, including Europe, Asia, and Latin America, providing hundreds of Fortune 500 enterprises with business intelligence visualization, macro insights, and due diligence services, and the total volume of trade data exceeded 5 billion. In the first half of the year, the CIC platform had 16,486 registered users, with a cumulative turnover of over 20.6 billion U.S. dollars, realizing steady and continuous growth.

2024 was a critical year for China to achieve the objectives and tasks of the 14th Five-Year Plan. As a driving force of the new technological revolution and industrial transformation, the digital economy provided strong impetus for sustainable and healthy economic and social development. As a leading enterprise in digital trade, Zall Smart actively confronted various challenges and opportunities both internally and externally, continuously strengthening our business model and technological innovation, enhancing our ability to provide digital services across the entire supply chain, and promoting industrial digitalization and digital industrialization, thereby helping to steadily increase the competitiveness and influence of China's digital economy.

Yan Zhi
Chairman

Hong Kong, 30 August 2024

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 upgrade 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 to jointly explore the agricultural industry chain to improve quality and efficiency.

North Hankou facilitates 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.



Management Discussion and Analysis (continued)

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, 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, intelligence, 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 upgrade of the traditional wholesale market and stimulate new consumption vitality.

Management Discussion and Analysis (continued)

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 be 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.

Management Discussion and Analysis (continued)

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 30 June 2024, the cumulative number of customers on the HSH platform reached 53,174, with an operating revenue of approximately RMB13.9 billion.

Management Discussion and Analysis (continued)

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 commodities 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 civilian 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.

Management Discussion and Analysis (continued)

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.

Management Discussion and Analysis (continued)

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 RMB3.4 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.

Management Discussion and Analysis (continued)

RESULTS OF OPERATION

Operating revenue

	Six months ended 30 June	
	2024 RMB'000	2023 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.

Management Discussion and Analysis (continued)

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.

Management Discussion and Analysis (continued)

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.

Management Discussion and Analysis (continued)

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 at fixed interest rate and 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 18 to the unaudited condensed consolidated interim results of the Company in this report.

Management Discussion and Analysis (continued)

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 report.

Investment properties constitute the main part of the Group's offline markets. Through self-owned capital, bank borrowings and etc., the Group will continue the investment in the market, promote the upgrade of North Hankou 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 report.

Management Discussion and Analysis (continued)

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 (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 report.

EVENTS AFTER REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICY

As at 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.

Disclosure of Other Information

SHARE OPTION SCHEMES

(a) 2011 Share Option Scheme

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

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

1. Purpose of the Share Option Scheme

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

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

2. Participants of the Share Option Scheme

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

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

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

As the Share Option Scheme expired on 20 June 2021, no further options can be granted under the Share Option Scheme since then. Notwithstanding its expiration, the share options which have been granted and remained outstanding (i.e. 15,547,407 share options) shall continue to be valid and exercisable subject to and in accordance with the terms on which the share options were granted, the provisions of the Share Option Scheme and the Listing Rules. As at the date of this report, there are 15,547,407 outstanding share options, representing approximately 0.13% of the issued shares of the Company as at the date of this report.

Disclosure of Other Information (continued)

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

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

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

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

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

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

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

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

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

8. The basis of determining the exercise price

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

9. The remaining life of the Share Option Scheme

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

Disclosure of Other Information (continued)

10. Movement of Share Options during the period under review

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

Particulars of share options under the Share Option Scheme (the "Share Options") outstanding at the beginning and at the end of the six months ended 30 June 2024 and Share Options exercised, cancelled or lapsed during such period are as follows:

Category of participant	Date of Grant	Exercise price per share	Vesting date and exercise period	Options to subscribe for shares of the Company					Balance as at 30 June 2024	Price per Share immediately before the date of grant	Price per Share on exercise date
				Balance as at 1 January 2024	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period			
Directors:											
Mr. Qi Zhiping	22 December 2017	HK\$8.48	From the date when the exercise conditions are met to 21 December 2027 (Note 1)	777,371	-Nil-	-Nil-	-Nil-	-Nil-	777,371	HK\$8.46	N/A (Note 2)
Spouse of Mr. Qi Zhiping	22 December 2017	HK\$8.48	From the date when the exercise conditions are met to 21 December 2027 (Note 1)	13,992,665	-Nil-	-Nil-	-Nil-	-Nil-	13,992,665	HK\$8.46	N/A (Note 2)
Employees of the Group	22 December 2017	HK\$8.48	From the date when the exercise conditions are met to 21 December 2027 (Note 1)	777,371	-Nil-	-Nil-	-Nil-	-Nil-	777,371	HK\$8.46	N/A (Note 2)
Total				15,547,407	-Nil-	-Nil-	-Nil-	-Nil-	15,547,407		

Notes:

- Such Share Options shall be exercisable upon fulfilment of certain financial performance targets set out in the respective letters of the grant. For further details of the financial performance targets, please refer to the paragraph headed "Management Shares and Management Options" in the circular of the Company dated 15 February 2017.
- No Share Options were lapsed, granted, exercised or cancelled during the six months ended 30 June 2024.

Save as disclosed above, there were no outstanding Share Options at the beginning and/or at the end of the six months ended 30 June 2024.

Disclosure of Other Information (continued)

(b) 2021 Share Option Scheme

On 28 May 2021, the Company passed an ordinary resolution to adopt a new share option scheme (the “2021 Share Option Scheme”) for the purpose of providing incentives and rewards to the selected Eligible Participants (as defined in paragraph 2 below) for their contribution or potential contribution to the development and the growth of the Group.

The following is a summary of the principal terms of the 2021 Share Option Scheme:

1. Purpose of the 2021 Share Option Scheme

The purpose of the 2021 Share Option Scheme is to enable the Company to grant Options to Eligible Participants (as defined in paragraph 2 below) as incentives or rewards for their contribution or potential contribution to the Group.

2. Participants of the 2021 Share Option Scheme

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

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

3. Total number of shares available for issue under the 2021 Share Option Scheme

The maximum number of shares which may be issued upon exercise of options which may be granted under the 2021 Share Option Scheme and any other share option schemes (if any) shall not in aggregate exceed 10% of the total number of shares in issue as at the adoption date (i.e. 1,178,282,580 shares). At the beginning and at the end of the six months ended 30 June 2024, 1,178,282,580 share options were available for grant under the 2021 Share Option Scheme. As at the date of this report, the number of shares available for issue under the 2021 Share Option Scheme and any other share option schemes (if any) amounted to 1,178,282,580 shares, representing approximately 9.5% of the issued share capital of the Company as at the date of this report.

4. Maximum entitlement of each participant under the 2021 Share Option Scheme

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the 2021 Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

Disclosure of Other Information (continued)

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

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

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

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

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

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

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

8. The basis of determining the exercise price

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

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

9. The remaining life of the 2021 Share Option Scheme

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

During the six months ended 30 June 2024, no share option was granted, expired, lapsed, exercised or cancelled under the 2021 Share Option Scheme. There were no outstanding share options under the 2021 Share Option Scheme at the beginning and at the end of the six months ended 30 June 2024.

Disclosure of Other Information (continued)

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 10 December 2021. The Board may, from time to time, at its absolute discretion, determine the criteria for any Selected Employees to participate in the Share Award Scheme as award holders in accordance with the rules of the Share Award Scheme. The Selected Employees may be granted the Awarded Shares. The Awarded Shares to be granted under the Share Award Scheme are ordinary shares in the capital of the Company.

The Company entrusted an independent trustee appointed by the Board to hold the shares awarded by the Administration Committee under the Share Award Scheme on behalf of the Selected Employees on trust, until such Awarded Shares are vested with the relevant Selected Employees in accordance with the rules of the Share Award Scheme and the trust deed entered into between the Company and the independent trustee. Please refer to the announcement of the Company dated 10 December 2021 for further details of the Share Award Scheme.

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

1. Purpose of the Share Award Scheme

The purposes of the Share Award Scheme are (i) to recognise the contributions by certain Eligible Employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

2. Participants of the Share Award Scheme

The Administration Committee would, from time to time, at its absolute discretion select any employee (including without limitation any director) of any member of the Group (other than any excluded employee) for participation in the Share Award Scheme as a Selected Employee, and grant such number of Awarded Shares to any Selected Employee at no consideration, and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

In determining the number of Awarded Shares to be granted to any Selected Employee, the Administration Committee shall take into account the Selected Employees' contribution and expected contribution to the Group, the general financial condition of the Group, the Group's overall business objectives and future development plan and other matter which the administration committee considers relevant.

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

The maximum number of Shares available for issue under the Share Award Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the adoption date (i.e. 1,178,282,580 Shares). At the beginning and at the end of the six months ended 30 June 2024, 1,161,602,580 shares were available for grant under the Share Award Scheme. As at the date of this report, the number of Shares available for issue under the Share Award Scheme amounted to 1,161,602,580 shares, representing approximately 9.4% of the issued share capital of the Company.

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

The maximum number of Shares which may be awarded to a Selected Employee under the Share Award Scheme shall not exceed 1% of the issued Shares from time to time.

Disclosure of Other Information (continued)

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

Not applicable.

6. The vesting period of awards granted under the Share Award Scheme

When a Selected Employee has satisfied all vesting conditions specified (and as may be waived or amended from time to time) by the administration committee and becomes entitled to the Awarded Shares, the Trustee shall either transfer the Vesting Shares to such Selected Employee on the Vesting Date, or cause the Vesting Shares to be sold with the proceeds of sale (after the deduction of related sale expenses) to be transferred to the Selected Employee.

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

Not applicable as the Awarded Shares shall be granted to the Selected Employees who have accepted the grant of an award for nil consideration.

8. The basis of determining the purchase price of shares awarded

As the Awarded Shares are to be made as awards by the Administration Committee, the Awarded Shares shall be granted to the Selected Employees who have accepted the grant of an award for nil consideration.

9. The remaining life of the Share Award Scheme

The Share Award Scheme shall terminate on the earlier of (i) the 10th anniversary date of the adoption date; and (ii) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any Selected Employee thereunder.

During the six months ended 30 June 2024, no Awarded Shares were granted by the Company in accordance with the terms of the Share Award Scheme. No Awarded Shares had been vested, cancelled or lapsed during the six months ended 30 June 2024. There were no unvested Awarded Shares under the Share Award Scheme at the beginning and at the end of the six months ended 30 June 2024.

PERFORMANCE GUARANTEE IN RELATION TO THE VERY SUBSTANTIAL ACQUISITION

Reference is made to the announcements of the Company dated 13 November 2016, 26 April 2023, 25 May 2023, 26 July 2023 and 29 December 2023 (collectively, the "Announcements") and the circular of the Company dated 15 February 2017 (the "Circular") in relation to the acquisition of the Target Companies. Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the Circular.

As stated in the announcements of the Company dated 29 December 2023, Vendor D shall sell a total of 66,677,559 unreleased Consideration Shares to public investor(s) on or before 30 June 2024. However, the Company was informed that, due to the prevailing market conditions, Vendor D may need additional time to look for potential investor(s). It is expected that the sale of such unreleased Consideration Shares shall be completed on or before 31 December 2024.

Disclosure of Other Information (continued)

FURTHER UPDATE ON THE PROGRESS OF THE VERY SUBSTANTIAL ACQUISITION

References are made to the announcements of the Company dated 27 June 2017, 2 April 2018, 2 October 2018, 18 October 2018, 1 April 2019, 30 September 2019, 29 November 2019, 23 January 2020, 31 March 2021, 31 August 2021, 31 December 2021, 30 June 2022 and 3 January 2023 (collectively, the "Announcements"), the annual report of the Company dated 31 March 2023 and 28 March 2024, the interim report of the Company dated 31 August 2023, and the circular of the Company dated 11 December 2017 (the "Circular") in relation to, among other things, the Further Acquisition. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcements and the Circular.

As stated in the annual report of the Company dated 28 March 2024, a separate share purchase agreement has been entered into between the Parties for the acquisition of the second tranche of the Subsequent Target Equity Interest (being 3% of the total equity interest of the Project Company). As at the date of this interim report, the Parties are still in the progress of fulfilling the remaining conditions precedent of the second tranche of the Subsequent Acquisition, in particular, the settlement of the remaining 80% of the consideration (i.e. approximately RMB88 million). It is expected that the acquisition of the second tranche of the Subsequent Target Equity Interest would complete on or before 31 December 2024.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Schemes" and "Share Award Scheme" in this report, at no time during the period under review was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors or chief executive of the Company or their spouses or minor children had any right to subscribe for equity and debt securities of the Company or any of its associated corporations or had exercised any such right during the period under review.

CHANGES IN INFORMATION OF DIRECTORS

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

1. With effect from 1 April 2024, the annual Directors' fees have been adjusted as follows:

Director	Annual fee before adjustment	Annual fee after adjustment
Mr. Yan Zhi	HKD1,280,000	HKD480,000
Dr. Gang Yu	RMB1,200,000	HKD480,000
Mr. Qi Zhiping	RMB600,000	HKD480,000
Mr. Cheung Ka Fai	HKD480,000	HKD300,000
Mr. Wu Ying	HKD480,000	HKD300,000
Mr. Zhu Zhengfu	HKD480,000	HKD300,000

2. Mr. Yan Zhi was appointed as a director and the chairman of the board of directors of LightInTheBox Holding Co., Ltd., a company listed on the New York Stock Exchange, on 26 August 2024.
3. With effect from 17 August 2024, Dr. Gang Yu has resigned as co-chairman of the Company and Mr. Yan Zhi has been re-designated from the position of co-chairman to chairman of the Company.

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

Disclosure of Other Information (continued)

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

As at 30 June 2024, the interests or short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Interests in shares and underlying shares of the Company

Name of Director	Nature of interest	Number of ordinary shares/ underlying shares held as at 30 June 2024	Approximate percentage of shareholding as at 30 June 2024 ⁽⁴⁾
Mr. Yan Zhi	Interest of controlled corporations	8,633,306,868 (L) ⁽¹⁾	69.63%
	Beneficial owner	73,833,000 (L)	0.60%
Dr. Gang Yu	Beneficial owner	270,000 (L)	0.00%
	Interest of spouse	11,800,000 (L)	0.10%
	Interest of controlled corporation	90,690,840 (L) ⁽³⁾	0.73%
Mr. Qi Zhiping	Beneficial owner	4,560,324 (L) ^{(2)(a)}	0.04%
	Interest of spouse	21,555,809 (L) ^{(2)(b)}	0.17%
Mr. Yu Wei	Beneficial owner	290,000 (L)	0.00%
Ms. Fan Xiaolan	Beneficial owner	270,000 (L)	0.00%
Mr. Cheung Ka Fai	Beneficial owner	180,000 (L)	0.00%
Mr. Wu Ying	Beneficial owner	180,000 (L)	0.00%
Mr. Zhu Zhengfu	Beneficial owner	180,000 (L)	0.00%

(L) represents long position.

Notes:

- (1) The 7,323,906,268 shares and 1,309,400,600 shares are held by Zall Development Investment Company Limited ("Zall Development Investment") and Zall Holdings Company Limited ("Zall Holdings"), respectively. Both companies are wholly owned by Mr. Yan Zhi.
- (2) (a) These interests comprise (i) 3,517,180 shares; (ii) 265,773 unreleased Management Shares as detailed in note 2(c); and (iii) 777,371 underlying shares in respect of share options granted by the Company pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes".
 (b) These interests comprise (i) 2,779,259 shares; (ii) 4,783,885 unreleased Management Shares as detailed in note 2(c); and (iii) 13,992,665 underlying shares in respect of share options granted by the Company to the spouse of Mr. Qi Zhiping pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes". By virtue of the SFO, Mr. Qi Zhiping is deemed to be interested in the shares held by his spouse.
 (c) As the release of lock-up conditions was not fulfilled following the publication of 2022 annual report of the Company, all unreleased Management Shares shall be sold to public investors with respective proceeds remitted to the Purchaser. For details, please refer to the paragraph headed "Management Shares and Management Options" in the circular of the Company dated 15 February 2017.
- (3) The 90,690,840 shares are held by Smartedge Group Limited, an entity owned as to 50% each by Dr. Gang Yu and his spouse.
- (4) The percentages are calculated based on the total number of shares of the Company in issue as at 30 June 2024 which was 12,399,505,800.

Disclosure of Other Information (continued)

Save as disclosed above, as at 30 June 2024, none of the Directors or chief executive of the Company and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as is known to any Director, as at 30 June 2024, the following persons, other than a Director or chief executive of the Company, had or deemed or taken to have an interest or short position in the shares or underlying shares of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of ordinary shares/ underlying shares held as at 30 June 2024	Approximate percentage of shareholding as at 30 June 2024 ⁽³⁾
<i>Substantial shareholder</i>			
Zall Development Investment	Beneficial owner	7,323,906,268 (L) ⁽¹⁾	59.07%
Zall Holdings	Beneficial owner	1,309,400,600 (L) ⁽¹⁾	10.56%
<i>Other persons</i>			
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation	685,689,000 (L) ⁽²⁾	5.53%
Huarong Huaqiao Asset Management Co., Ltd.	Interest of controlled corporation	685,689,000 (L) ⁽²⁾	5.53%

(L) represents long position.

Notes:

- (1) Zall Development Investment and Zall Holdings are companies wholly owned by Mr. Yan Zhi.
- (2) The 535,689,000 shares and 150,000,000 shares (685,689,000 shares in total) are held by Dream Heaven Limited and Superb Colour Limited respectively. Both companies are indirectly and wholly owned by Huarong Huaqiao Asset Management Co., Ltd., which in turn is owned as to approximately 91% by China Huarong Asset Management Co., Limited.
- (3) The percentages are calculated based on the total number of Shares of the Company in issue as at 30 June 2024 which was 12,399,505,800.

There was a duplication of interest of 7,323,906,268 shares between Mr. Yan Zhi and Zall Development Investment and a duplication of interest of 1,309,400,600 shares between Mr. Yan Zhi and Zall Holdings.

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

Disclosure of Other Information (continued)

Save as disclosed above, as at 30 June 2024, the Company had not been notified by any person, other than a Director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

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.

DEED OF NON-COMPETITION

As further set out in the circular of the Company dated 31 December 2014 (the "Restructuring Circular"), the Group previously carried out certain restructuring of its businesses (the "Restructuring") to, among others, dispose of certain of its non-core businesses to its controlling shareholders. After the Restructuring and until the Group has disposed of or realised all its remaining non-core property projects, the business owned/controlled by the controlling shareholders may overlap with the business of the Group in terms of business nature (but not necessarily in direct competition). As such, a revised deed of non-competition dated 30 June 2015 (superseding the original deed of non-competition dated 20 June 2011) was entered into by the Company's controlling shareholders in favour of the Company (as superseded, the "Deed of Non-Competition"), pursuant to which each of the controlling shareholders of the Company has undertaken to the Company that he/she/it will not and will procure that his/her/its associates (other than members of the Group) not to engage in any of the Group's businesses including (without limitation) developing and operating large-scale, consumer product focused wholesale shopping malls in China.

As at 30 June 2024, except North Hankou Zall Life City — Phase II, all of the Remaining Non-core Projects (as defined in the Restructuring Circular) have been disposed of. North Hankou Zall Life City — Phase II is a residential project with gross floor area of approximately 207,000 square metres in North Hankou region. The project has been substantially completed and most of the properties have been sold, with approximately 41,600 square metres remaining. The Group will sell the remaining properties in line with market conditions.

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

Disclosure of **Other Information (continued)**

REVIEW OF THE INTERIM REPORT

The interim financial report for the six months ended 30 June 2024 is unaudited and has not been reviewed by the auditors of the Company, but has been reviewed by the audit committee of the Company (the "Audit Committee"). The Audit Committee has reviewed with the management of the Company the Group's unaudited condensed consolidated interim results and financial report for the six months ended 30 June 2024 and has also reviewed and confirmed the accounting principles and practises adopted by the Group and discussed the auditing, internal control, risks management and financial reporting matters of the Group.

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

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

The financial information relating to the financial year ended 31 December 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 financial year but is derived from those financial statements. 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 the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

INTERIM DIVIDEND

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

DIRECTORS

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

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

Hong Kong, 30 August 2024

Interim Condensed Consolidated Statement of Profit or Loss

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

	Note	For the six months ended 30 June	
		2024 RMB'000	2023 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
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

The notes on pages 39 to 74 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in notes 20(a).

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 RMB'000	2023 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

The notes on pages 39 to 74 form part of this interim financial report.

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	10	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	11(a)	30,418	30,418
Deferred tax assets		460,174	468,045
		26,624,259	26,296,774
Current assets			
Inventories	13	5,214,250	4,779,687
Trade and other receivables	14	23,215,316	20,055,402
Financial assets at fair value through profit or loss	12	257,004	264,416
Amounts due from related parties and non-controlling shareholders of subsidiaries	24(d)	1,212,745	924,025
Prepaid taxes		28,577	34,066
Pledged bank deposits	15	5,322,121	9,641,308
Cash and cash equivalents	16	2,024,826	1,782,996
		37,274,839	37,481,900
Current liabilities			
Trade and other payables	17	14,793,046	17,927,188
Contract liabilities	11(b)	13,934,114	10,395,307
Lease liabilities		11,193	17,081
Amounts due to related parties and non-controlling shareholders of subsidiaries	24(e)	1,371,158	1,020,646
Interest-bearing borrowings	18	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

Interim Condensed Consolidated Statement of Financial Position (continued)

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 liabilities			
Interest-bearing borrowings	18	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			
	20		
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

Approved and authorised for issue by the Board of Directors on 30 August 2024.

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

Qi Zhiping
Executive Director and
Co-chief executive officer

The notes on pages 39 to 74 form part of this interim financial report.

Interim Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2024 — unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company												
	Share capital RMB'000	Share premium RMB'000	Shares held for various incentive plan RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2023	34,454	4,766,905	(39,029)	386,309	163,895	(68,074)	36,946	51,991	(9,375)	8,428,036	13,752,058	396,048	14,148,106
Changes in equity for the six months ended 30 June 2023:													
Profit for the period	-	-	-	-	-	-	-	-	-	22,364	22,364	14,788	37,152
Other comprehensive income for the period:													
Exchange differences on translation of financial statements of operations outside the PRC	-	-	-	-	-	7,812	-	-	-	-	7,812	-	7,812
Total comprehensive income for the period	-	-	-	-	-	7,812	-	-	-	22,364	30,176	14,788	44,964
Appropriation to statutory reserve	-	-	-	4,305	-	-	-	-	-	(4,305)	-	-	-
Capital injection from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	3,770	3,770
Balance at 30 June 2023	34,454	4,766,905	(39,029)	390,614	163,895	(60,262)	36,946	51,991	(9,375)	8,446,095	13,782,234	414,606	14,196,840
Balance at 1 January 2024	34,454	4,766,905	(39,029)	396,394	163,895	(66,786)	36,946	51,991	(9,375)	8,468,866	13,804,261	402,424	14,206,685
Changes in equity for the six months ended 30 June 2024:													
Profit for the period	-	-	-	-	-	-	-	-	-	49,817	49,817	(9,057)	40,760
Other comprehensive loss for the period:													
Exchange differences on translation of financial statements of operations outside the PRC	-	-	-	-	-	(2,682)	-	-	-	-	(2,682)	-	(2,682)
Total comprehensive income for the period	-	-	-	-	-	(2,682)	-	-	-	49,817	47,135	(9,057)	38,078
Capital injection from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	8,340	8,340
Others	-	-	-	(15)	-	-	-	-	-	(4,349)	(4,364)	(4,088)	(8,452)
Balance at 30 June 2024	34,454	4,766,905	(39,029)	396,379	163,895	(69,468)	36,946	51,991	(9,375)	8,514,334	13,847,032	397,619	14,244,651

The notes on pages 39 to 74 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

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

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Operating activities			
Cash (used in)/generated from operations		(3,395,119)	2,705,351
Income tax paid		(16,617)	(5,994)
Net cash (used in)/generated from operating activities		(3,411,736)	2,699,357
Investing activities			
Payment for purchase of property, plant and equipment and investment properties		(5,136)	(51,158)
Payment for purchase of intangible assets		(11,273)	(16,117)
Proceeds from disposal of property, plant and equipment		11,591	12,098
Proceeds from disposal of intangible assets		–	1,612
Decrease in pledged bank deposits		4,319,187	509,024
Interest received		122,803	159,746
Capital contributions to associates		(49,000)	(30,000)
Proceeds from financial assets at fair value through profit or loss		221,253	971,548
Purchase of financial assets at fair value through profit or loss		(180,738)	(782,380)
Advances to related parties and non-controlling shareholders of subsidiaries		(1,267,365)	(454,470)
Repayment from related parties and non-controlling shareholders of subsidiaries		978,645	290,133
Net cash generated from investing activities		4,139,967	610,036

Condensed Consolidated Cash Flow Statement (continued)

for the six months ended 30 June 2024 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Financing activities			
Advances from related parties and non-controlling shareholders of subsidiaries		523,697	364,194
Repayment to related parties and non-controlling shareholders of subsidiaries		(173,185)	(31,263)
Proceeds from new bank loans and loans from other financial institutions raised		511,695	924,129
Repayment of bank loans and loans from other financial institutions		(1,276,369)	(3,818,511)
Proceeds from other loans raised		97,455	98,392
Repayment of other loans		(92,128)	(324,592)
Interest and other borrowing costs paid		(67,801)	(371,751)
Proceeds from capital injection from non-controlling shareholders of subsidiaries		8,340	3,770
Capital element of lease rentals paid		(14,904)	(4,554)
Interest element of lease rentals paid		(520)	(503)
Net cash used in financing activities		(483,720)	(3,160,689)
Net increase in cash and cash equivalents			
Cash and cash equivalents at 1 January	16	1,782,996	1,341,318
Effect of foreign exchange rate changes		(2,681)	1,687
Cash and cash equivalents at 30 June	16	2,024,826	1,491,709

The notes on pages 39 to 74 form part of this interim financial report.

Notes to the Interim Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

The interim condensed consolidated financial statements have 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 statements have 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 statements 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 statements contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Zall Smart Commerce Group Ltd. (the “**Company**”) and its subsidiaries (together referred to as the “**Group**”) since the 2023 annual financial statements. These interim condensed consolidated financial statements and notes thereon do not include all of the information and disclosures 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 condensed consolidated financial statements 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION (Continued)

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 18, 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 statements for the six months ended 30 June 2024 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 interim condensed consolidated financial statements.

The interim condensed consolidated financial statements 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**").

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

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 statements.

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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are developing and operating of large-scale consumer product-focused wholesale shopping malls 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 RMB'000	2023 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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

The Group's customer base is diversified and the Group does not have any single customer with whom transactions have exceeded 10% of the Group's revenue for the 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and joint ventures, deferred tax assets, prepaid taxes, 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, 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2024 and 2023 is set out below.

	Property development and related services		Supply chain management and trading		Total	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	For the six months ended 30 June	
	2024 RMB'000	2023 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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(iii) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	For the six months ended 30 June 2024 RMB'000	For the six months ended 30 June 2023 RMB'000	30 June 2024 RMB'000	31 December 2023 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).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

4 OTHER NET INCOME/(LOSS)

	For the six months ended 30 June	
	2024 RMB'000	2023 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 RMB'000	2023 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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

5 PROFIT BEFORE TAXATION (Continued)

(b) Other items

	For the six months ended 30 June	
	2024 RMB'000	2023 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, net:		
— 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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX

	For the six months ended 30 June	
	2024 RMB'000	2023 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX (Continued)

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

In addition, certain subsidiaries of the Group were subject to PRC LAT which is calculated based on 8% of their revenue in accordance with the authorised tax valuation method approved by 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 earnings per share and are ignored in the calculation of diluted earnings per share (six months ended 30 June 2023: same).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

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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 18).

Fair value measurement of properties

(i) Fair value hierarchy

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

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

8 INVESTMENT PROPERTIES (Continued)

Fair value measurement of properties (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Completed investment properties	Income capitalisation method	Term yield	5.0% (31 December 2023: 5.0%)
		Reversion yield	5.0% (31 December 2023: 5.0%)
		Market monthly rental rate (RMB/sq.m.)	8.1–114.8 (31 December 2023: 7.7–118.5)
		Occupancy rate	0%–95% (31 December 2023: 0%–95%)
Investment properties under development	Residual approach	Term yield	5.0% (31 December 2023: 5.0%)
		Reversion yield	5.0% (31 December 2023: 5.0%)
		Market monthly rental rate (RMB/sq.m.)	14.3–28.6 (31 December 2023: 21–30)
		Occupancy rate	0%–95% (31 December 2023: 0%–95%)

The fair value of completed investment properties is generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the income and reversionary potential income by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have referenced to recent lettings within the subject properties and the estimated rental incremental observed in other comparable properties.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

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 (note 18).

10 GOODWILL

	RMB'000
Cost:	
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	1,771,367
Accumulated impairment losses:	
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	(1,519,869)
Carrying amount:	
At 30 June 2024	251,498
At 31 December 2023	251,498

11 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	30 June 2024 RMB'000	31 December 2023 RMB'000
Contract assets		
Arising from performance under construction contracts	30,418	30,418
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (note 14)	7,507,282	7,663,513

The amount of contract assets that is expected to be recovered after more than one year is RMB30,418,000 (31 December 2023: RMB30,418,000) as at 30 June 2024.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

11 CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(b) Contract liabilities

	30 June 2024 RMB'000	31 December 2023 RMB'000
Property development and related services		
— Forward sales deposits and instalments received	148,691	153,330
Supply chain management and trading		
— Deposits received from third parties	13,572,960	10,215,382
Others		
— Deposits received	212,463	26,595
	13,934,114	10,395,307

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 RMB'000	31 December 2023 RMB'000
Financial assets at fair value through profit or loss		
Listed equity securities in Hong Kong		
— Fullshare Holdings Limited	5,016	6,748
Listed equity securities in the United States		
— LightInTheBox Holding Co., Ltd	–	1,115
Wealth management products and trust products (i)	180,738	222,326
Forward contracts	44,474	19,242
Contingent consideration		
— Acquisition of Shenzhen Sinoagri E-commerce Co., Ltd. ("Shenzhen Sinoagri") (ii)	26,776	14,985
	257,004	264,416

(i) The amount represents investments in wealth management products and trust products issued by reputable financial institutions in the PRC. There are no fixed or determinable returns of these wealth management products and trust products. Wealth management products and trust products with an aggregate carrying amount of RMBNil (31 December 2023: RMB210,000,000) were pledged as collateral for the Group's bills payables (note 17).

(ii) The amount represents the contingent consideration of acquisition of Shenzhen Sinoagri amounting to RMB26,776,000 as at 30 June 2024 (31 December 2023: RMB14,985,000). The amount is generated as a result of part of the consideration of the acquisition which depends on the post-acquisition financial performance of Shenzhen Sinoagri.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

13 INVENTORIES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Properties under development for sale	2,071,719	2,022,945
Completed properties held for sale	1,145,360	1,155,006
Commodities	1,997,171	1,601,736
	5,214,250	4,779,687

As at 30 June 2024, properties under development for sale with an aggregate carrying value of RMB780,316,000 (31 December 2023: RMB782,049,000) and completed properties held for sale with an aggregate carrying value of RMB200,575,000 (31 December 2023: RMB200,514,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

14 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 18).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES (Continued)

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES (Continued)

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

Ageing analysis

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

	30 June 2024 RMB'000	31 December 2023 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.

15 PLEDGED BANK DEPOSITS

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
Secured for letter of credit and bills payables	17	5,047,127	9,266,737
Secured for bank loans	18	131,422	132,609
Others		143,572	241,962
		5,322,121	9,641,308

16 CASH AND CASH EQUIVALENTS

	30 June 2024 RMB'000	31 December 2023 RMB'000
Cash at banks and on hand	2,024,826	1,782,996

At 30 June 2024, cash and cash equivalents and pledged bank deposits with aggregate amount of RMB7,337,983,000 (31 December 2023: RMB11,402,506,000) were placed with banks in the PRC. Remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

17 TRADE AND OTHER PAYABLES

	30 June 2024 RMB'000	31 December 2023 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 RMB'000	31 December 2023 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

18 INTEREST-BEARING BORROWINGS

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

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
Current			
Bank loans and loans from other financial institutions	18(a)	5,657,018	5,388,490
Other loans	18(b)	2,594,346	646,965
Loans from an entity controlled by Ultimate Controlling Party	18(c)	20,000	20,000
Discounted bank acceptance bills	18(d)	3,391,525	4,349,610
		11,662,889	10,405,065
Non-current			
Bank loans and loans from other financial institutions	18(a)	860,027	1,016,900
Other loans	18(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, the 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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

18 INTEREST-BEARING BORROWINGS (Continued)

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

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

	30 June 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 subsidiary 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	15	131,422	132,609
Other receivables	14	8,000	28,770
Completed investment properties and investment properties under development	8	11,604,486	11,597,922
Properties under development for sale	13	780,316	782,049
Completed properties held for sale	13	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 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

18 INTEREST-BEARING BORROWINGS (Continued)

(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% per annum (31 December 2023: 4.00% to 12.00% per annum).

- (c) Loans from an entity controlled by the ultimate controlling party of the Company ("Ultimate Controlling Party") are unsecured and bear fixed interest of 5% (31 December 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 recognised the discounted instruments.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS

(a) Share option scheme

Pursuant to an acquisition agreement dated 28 October 2016 entered into by the Company (the "Acquisition Agreement"), the Group has granted a total of 45,667,950 share options under the share option scheme adopted by the Company on 20 June 2011 to certain senior management of Shenzhen Sinoagri ("Shenzhen Sinoagri Management team") at total consideration of HK\$3.00 to subscribe share of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

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

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

The number of the options to be exercised after each vesting period is subject to a performance guarantee mechanism with reference to revenue and net profit of Shenzhen Sinoagri for the respective financial year. For further details of the financial performance targets, please refer to the paragraph headed "Management Shares and Management Options" in the circular of the Company dated 15 February 2017.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(a) Share option scheme (Continued)

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

	30 June 2024		31 December 2023	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
Outstanding at the beginning of the period/year	8.48	15,547,407	8.48	45,667,950
Lapsed during the period/year	8.48	–	8.48	(30,120,543)
Outstanding at the end of the period/year	8.48	15,547,407	8.48	15,547,407
Exercisable at the end of the period/year	8.48	15,547,407	8.48	15,547,407

At 30 June 2024, the options outstanding had an exercise price of HK\$8.48 (31 December 2023: HK\$8.48) and the remaining contractual life of share option scheme is 3.5 years (31 December 2023: 4 years). No share options had been exercised, cancelled or lapsed during the six months ended 30 June 2024.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Capital management (Continued)

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

	30 June 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 debt	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%

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

	Fair value at	Fair value measurement			Fair value at	Fair value measurement		
	30 June	as at 30 June 2024 categorised into			31 December	as at 31 December 2023 categorised into		
	2024	Level 1	Level 2	Level 3	2023	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement								
Assets:								
— Listed equity securities	5,016	5,016	-	-	7,863	7,863	-	-
— Wealth management products and trust products	180,738	-	180,738	-	222,326	-	222,326	-
— Forward contracts	44,474	44,474	-	-	19,242	19,242	-	-
— Contingent consideration	26,776	-	26,776	-	14,985	-	14,985	-
— Equity investment at fair value through other comprehensive income	3,000	-	3,000	-	3,000	-	3,000	-

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(i) Fair value hierarchy (Continued)

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation Techniques and key inputs
	30 June 2024 RMB'000	31 December 2023 RMB'000		
Listed equity securities	Assets 5,016	Assets 7,863	Level 1	Quoted bid prices in an active market.
Wealth management product and trust products	Assets 180,738	Assets 222,326	Level 2	Discounting the estimated future cash flows at risky rate, which is the benchmark interest rate plus the risk premium as at the end of the reporting period.
Forward contracts	Assets 44,474	Assets 19,242	Level 1	Quoted bid prices in an active market.
Contingent consideration	Assets 26,776	Assets 14,985	Level 2	Discounted cash flow. Future cash flows are estimated based on quoted bid prices in an active market at the end of the reporting period and discounted at a rate that reflects the credit risk of counterparties.
Equity investment at FVOCI	Assets 3,000	Assets 3,000	Level 2	Determined by the directors of the Company with reference to recent transaction price completed near to the year end.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. During the six months ended 30 June 2024, there were no transfers between Level 1 and Level 2.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2024.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

22 COMMITMENTS

	30 June 2024 RMB'000	31 December 2023 RMB'000
Contracted but not provided for in the consolidated financial statements:		
— Capital expenditure in respect of investment properties under development	89,836	93,043
— Expenditure in respect of properties under development	262,975	257,215
	352,811	350,258

23 GUARANTEES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (note (a))	130,103	137,056
Other financial guarantee (note (b))	246,605	292,005
Total maximum guarantees issued	376,708	429,061

Notes:

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

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

- (b) For other financial guarantees, the aggregate amount of outstanding financial guarantees that the Group could be required to pay amounted to RMB246,605,000 as at 30 June 2024 (31 December 2023: RMB292,005,000). At the end of the reporting period, management has performed impairment assessment by measuring the loss allowance for financial guarantee contracts issued by the Group at an amount equal to 12-month ECL, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, no loss allowance was recognised in the profit or loss as the ECL is assessed to be insignificant.

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with key management personnel

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Wages, salaries and other benefits	6,700	7,173
Contributions to defined benefit retirement plans	310	305
	7,010	7,478

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

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
(i) Advances from related parties		
— Associates	191,492	5,230
— A joint venture	305,476	—
— Entities controlled by Ultimate Controlling Party	26,467	338,527
— Key management personnel	—	598
— Entities over which Ultimate Controlling Party has significant influence	267	19,839

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
(ii) Repayment to related parties and non-controlling shareholders of subsidiaries		
— Associates	163,081	3,793
— Entities controlled by Ultimate Controlling Party	10,104	4,583
— Key management personnel	–	623
— Entities over which Ultimate Controlling Party has significant influence	–	22,263

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
(iii) Advances to related parties and non-controlling shareholders of subsidiaries		
— Associates	796,370	422,454
— Joint ventures	436,439	–
— Entities controlled by Ultimate Controlling Party	9,397	21,026
— Key management personnel	–	302
— Entities over which Ultimate Controlling Party has significant influence	–	10,676

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
(iv) Repayment from related parties and non-controlling shareholders of subsidiaries		
— Associates	724,800	220,898
— Joint ventures	222,300	–
— Entities controlled by Ultimate Controlling Party	5,858	23,076
— Entities over which Ultimate Controlling Party has significant influence	500	522

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
(v) Rental income		
— Entities over which Ultimate Controlling Party has significant influence	254	497
— Entities controlled by Ultimate Controlling Party	–	60
	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
(vi) Deposits placed in		
— a bank over which Ultimate Controlling Party has significant influence	4,542,728	7,179,892
Deposits withdrawn from		
— a bank over which Ultimate Controlling Party has significant influence	(4,593,372)	(7,111,217)
	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
(vii) Sales of commodities to related parties and non-controlling shareholders of subsidiaries		
— Associates	9,387	3,649
— Entities controlled by Ultimate Controlling Party	1,717	853
	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
(viii) Purchase of commodities from related parties and non-controlling shareholders of subsidiaries		
— Associates	18,705	132,881
— Entities controlled by Ultimate Controlling Party	2,008	942

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

	30 June 2024 RMB'000	31 December 2023 RMB'000
Trade and other receivables		
— Associates (note (i))	19,221	9,124
— Joint ventures (note (ii))	429,436	273,550
— Entities over which Ultimate Controlling Party has significant influence	13,731	14,231
— Entities controlled by non-controlling shareholders of subsidiaries	24,416	21,060
Cash and cash equivalents		
— Entities over which Ultimate Controlling Party has significantly influence	17,692	206,507
Interest-bearing borrowings		
— Entities controlled by Ultimate Controlling Party	20,000	20,000

Notes:

- (i) Loans advanced to associates as at 30 June 2024 bear interest of 2% (31 December 2023: 2%) per annum and are secured by agriculture products.
- (ii) Loan advanced from joint ventures as at 30 June 2024 bear interest of 8.4% (31 December 2023: 8.4%) per annum.

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

	30 June 2024 RMB'000	31 December 2023 RMB'000
Amounts due from related parties and non-controlling shareholders of subsidiaries		
— Associates	620,682	549,113
— Joint ventures	508,559	295,243
— Entities controlled by Ultimate Controlling Party	37,530	33,207
— Key management personnel	1,902	1,902
— Entities controlled by non-controlling shareholders of subsidiaries	29,447	29,435
— Entities over which Ultimate Controlling Party has significant influence	14,525	15,025
— Ultimate Controlling Party	100	100
	1,212,745	924,025

Notes to the Interim Condensed Consolidated Financial Statements (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

Amounts due from related parties and non-controlling shareholders of subsidiaries are unsecured and repayable on demand. As at 30 June 2024, amount due from an associate of RMB620,682,000 (31 December 2023: RMB549,113,000) bears interest at 8.4% (31 December 2023: 8.4%) per annum. All the other amounts due from related parties and non-controlling shareholders of subsidiaries as at 30 June 2024 and 31 December 2023 are interest-free.

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

	30 June 2024 RMB'000	31 December 2023 RMB'000
Amounts due to related parties and non-controlling shareholders of subsidiaries		
— Associates	30,755	544,587
— A joint venture	847,545	68
— Non-controlling shareholders of subsidiaries	534	534
— Entities controlled by Ultimate Controlling Party	481,254	464,654
— Ultimate Controlling Party	3,900	3,900
— Key management personnel	226	226
— Entities over which Ultimate Controlling Party has significant influence	6,944	6,677
	1,371,158	1,020,646

All amounts due to related parties and non-controlling shareholders of subsidiaries as at 30 June 2024 and 31 December 2023 are interest-free, unsecured and repayable on demand.