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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the "**Board**") of directors (the "**Directors**") of Zall Smart Commerce Group Ltd. (the "**Company**" or "**Zall Smart**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2021, together with the unaudited comparative figures for the preceding period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2021 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Revenue	*3(a)*	**50,160,278**	35,763,064
Cost of sales		**(49,553,670)**	(35,201,653)
Gross profit		**606,608**	561,411
Other net income	*4*	**18,707**	62,112
Selling and distribution expenses		**(95,562)**	(69,909)
Administrative and other expenses		**(289,779)**	(283,891)
Impairment loss on trade and other receivables		**(16,466)**	(48,417)
Impairment loss on goodwill		**–**	(15,876)
Gain from operations before changes in fair value of investment properties		**223,508**	205,430
Net valuation gain on investment properties	*8*	**2,441**	601,070

		Six months ended 30 June	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Profit from operations		**225,949**	806,500
Finance income	*5(a)*	**135,804**	137,624
Finance costs	*5(a)*	**(332,689)**	(467,640)
Share of net profits of associates		**25,331**	19,680
Share of net losses of joint ventures		**(690)**	(1,472)
Profit before taxation	*5*	**53,705**	494,692
Income tax	*6*	**(21,303)**	(213,629)
Profit for the period		**32,402**	281,063
Attributable to:			
Equity shareholders of the Company		**30,865**	290,798
Non-controlling interests		**1,537**	(9,735)
Profit for the period		**32,402**	281,063
Earnings per share (RMB cents)			
Basic	*7(a)*	**0.26**	2.47
Diluted	*7(b)*	**0.26**	2.47

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

for the six months ended 30 June 2021 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Profit for the period	**32,402**	281,063
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income/(loss) of an associate	**917**	(915)
Exchange differences on translation of:		
— financial statements of operations outside Mainland China	**(6,673)**	6,393
Other comprehensive (loss)/income for the period	**(5,756)**	5,478
Total comprehensive income for the period	**26,646**	286,541
Attributable to:		
Equity shareholders of the Company	**25,214**	296,154
Non-controlling interests	**1,432**	(9,613)
Total comprehensive income for the period	**26,646**	286,541

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2021 — unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2021** *RMB'000*	At 31 December 2020 *RMB'000*
Non-current assets			
Investment properties	*8*	**29,559,313**	29,502,397
Property, plant and equipment	*9*	**415,003**	435,766
Intangible assets		**539,826**	550,401
Goodwill		**852,593**	852,167
Interests in associates		**496,497**	505,415
Interests in joint ventures		**24,380**	23,570
Equity investments at fair value through other comprehensive income		**8,702**	8,702
Contract assets		**346,608**	342,145
Deferred tax assets		**336,232**	322,816
		32,579,154	32,543,379
Current assets			
Financial assets at fair value through profit or loss		**1,014,838**	3,851,385
Inventories		**5,778,850**	4,531,012
Prepaid taxes		**23,769**	23,219
Trade and other receivables	*10*	**10,187,080**	12,605,216
Amounts due from related parties		**534,126**	649,068
Pledged bank deposits		**6,908,010**	6,695,764
Cash and cash equivalents		**835,947**	1,184,708
		25,282,620	29,540,372
Non-current assets held for sale		**44,179**	44,179
		25,326,799	29,584,551

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Current liabilities			
Financial liabilities at fair value through profit or loss		**188,180**	155,959
Trade and other payables	*11*	**11,540,666**	12,961,264
Contract liabilities		**5,099,177**	4,025,312
Lease liabilities		**13,508**	15,108
Amounts due to related parties		**158,719**	138,717
Interest-bearing borrowings	*12*	**10,903,775**	15,408,557
Current taxation		**569,929**	547,905
		28,473,954	33,252,822
Net current liabilities		**(3,147,155)**	(3,668,271)
Total assets less current liabilities		**29,431,999**	28,875,108
Non-current liabilities			
Interest-bearing borrowings	*12*	**5,821,969**	5,271,025
Deferred income		**9,661**	9,073
Lease liabilities		**10,340**	19,870
Deferred tax liabilities		**5,232,316**	5,240,684
		11,074,286	10,540,652
NET ASSETS		**18,357,713**	18,334,456
CAPITAL AND RESERVES			
Share capital	*13*	**32,733**	32,733
Reserves		**17,864,443**	17,837,396
Total equity attributable to equity shareholders of the Company		**17,897,176**	17,870,129
Non-controlling interests		**460,537**	464,327
TOTAL EQUITY		**18,357,713**	18,334,456

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue on 31 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Zall Smart Commerce Group Ltd. (the "**Company**") and its subsidiaries (together referred to as the "**Group**") since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2020 are available from the Company's registered office. In the auditor's report dated 31 March 2021, 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 2021, the Group had net current liabilities of approximately RMB3,147,155,000 (31 December 2020: RMB3,668,271,000). The Group is dependent upon the financial support from the Group's bankers and financial institutions and its ability to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments, which may indicate the existence of a material uncertainty on the Group's ability to continue as a going concern.

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

— the Group is working on generating positive operating cash flows for the next twelve months by implementing various strategies to improve the Group's income from sales of properties, supply chain management and trading business and rentals from investment properties to generate additional operating cash inflows and putting extra efforts on the collection of trade debtors to improve the debtor turnover days;

— the Group is actively and regularly reviewing its capital structure and will consider raising additional capital by issuing bonds or new shares, where appropriate;

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

In addition, as disclosed in note 12, bank loans and loans from other financial institutions of RMB9,354,802,000 were guaranteed and/or secured by certain investment properties, investment properties under development, properties under development for sale, completed properties held for sale and other assets of the Group at 30 June 2021 (31 December 2020: RMB10,310,334,000). The Group considered it has sufficient collateral to support the roll-over or refinancing of such banking facilities when they fall due. In making this assessment, the Group has considered, among other things, the nature, the value and the volatility of value of its overall property portfolio, including those properties that are currently not pledged.

If the above measures are successful, the Directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period. Consequently, the interim financial report for the six months ended 30 June 2021 has been prepared on a going concern basis. The financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern.

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

2 CHANGES IN ACCOUNTING POLICIES

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
— Revenue from sales of properties and related services	**169,152**	255,470
— Revenue from supply chain management and trading business	**49,527,936**	34,956,298
— Revenue from construction contracts	**4,462**	2,757
— Others	**26,179**	112,364
	49,727,729	35,326,889
Revenue from other sources		
Gross rentals from investment properties		
— Lease payments that are fixed	**345,162**	343,150
Financing income	**47,090**	36,622
Others	**40,297**	56,403
	50,160,278	35,763,064

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

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

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

As at 30 June 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB309,377,000 (31 December 2020: RMB388,488,000). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development and construction contracts entered into by the customers with the Group. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers. The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the properties under development for sale, when the properties are accepted by the customer or deemed as accepted according to the contract (whichever is earlier), which is expected to occur over the next 1 to 24 months (31 December 2020: next 1 to 24 months).

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

(b) Segment reporting

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

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

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

(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 and other corporate assets. Segment liabilities include trade creditors, accruals, bills payable and lease liabilities attributable to the sales activities of the individual segments and bank borrowings managed directly by the segments.

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

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

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below.

	Property development and related services		**Supply chain management and trading**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
For the six months ended 30 June						
Disaggregated by timing of revenue recognition						
Point in time	**137,816**	243,420	**49,444,590**	34,890,557	**49,582,406**	35,133,977
Overtime	**421,257**	414,360	**130,436**	102,363	**551,693**	516,723
Revenue from external customers and reportable segment revenue	**559,073**	657,780	**49,575,026**	34,992,920	**50,134,099**	35,650,700
Reportable segment profit/(loss)	**222,095**	278,891	**652**	(98,712)	**222,747**	180,179
Net valuation gain on investment properties	**2,441**	601,070	**–**	–	**2,441**	601,070
Finance income	**2,304**	1,268	**133,476**	136,347	**135,780**	137,615
Finance costs	**(149,013)**	(239,751)	**(176,799)**	(227,447)	**(325,812)**	(467,198)
Depreciation and amortisation	**(8,665)**	(6,509)	**(43,228)**	(23,906)	**(51,893)**	(30,415)
Share of net losses of associates	**–**	–	**(688)**	(1,114)	**(688)**	(1,114)
Share of net losses of joint ventures	**–**	–	**(690)**	(1,472)	**(690)**	(1,472)
Additions to non-current segment assets	**1,195**	6,287	**31,749**	24,871	**32,944**	31,158
As at 30 June/31 December						
Reportable segment assets	**35,239,076**	36,024,988	**20,644,676**	24,283,306	**55,883,752**	60,308,294
Reportable segment liabilities	**9,626,181**	10,431,872	**19,685,533**	23,709,951	**29,311,714**	34,141,823

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**50,134,099**	35,650,700
Other revenue	**26,179**	112,364
Consolidated revenue *(note 3(a))*	**50,160,278**	35,763,064
Profit		
Reportable segment profit derived from the Group's external customers	**222,747**	180,179
Other net income	**18,707**	62,112
Net valuation gain on investment properties	**2,441**	601,070
Finance income	**135,804**	137,624
Finance costs	**(332,689)**	(467,640)
Share of net profits of associates	**25,331**	19,680
Share of net losses of joint ventures	**(690)**	(1,472)
Unallocated head office and corporate expenses	**(17,946)**	(36,861)
Consolidated profit before taxation	**53,705**	494,692

(iii) Geographic information

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

	Revenue from external customers		**Specified non-current assets**	
	Six months ended 30 June 2021	Six months ended 30 June 2020	**30 June 2021**	31 December 2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**49,676,565**	29,524,870	**31,878,728**	31,858,539
Singapore	**291,854**	5,959,792	**8,884**	11,177
Others	**191,859**	278,402	**–**	–
	50,160,278	35,763,064	**31,887,612**	31,869,716

The geographical analysis above includes property rental income from external customers in Mainland China for the six months ended 30 June 2021 of RMB385,459,000 (six months ended 30 June 2020: RMB399,553,000).

4 OTHER NET INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Net fair value changes on financial instruments at fair value through profit or loss		
— listed equity securities	**(28,113)**	(20,838)
— wealth management products and trust products	**11,184**	64,183
— forward contracts	**–**	260
— contingent consideration	**(50,857)**	(9,034)
— convertible redeemable preference shares of a subsidiary	**–**	315
Government subsidies	**10,517**	21,956
Net gain on the dilution of interests in associates	**9,009**	1,406
Net gain on disposal of a subsidiary	**3,449**	–
Net gain on disposal of an associate	**19,484**	–
Others	**44,034**	3,864
	18,707	62,112

5 PROFIT BEFORE TAXATION

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

(a) Finance (income)/costs

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Finance income		
Interest income	**(135,804)**	(137,624)
Finance costs		
Interest on interest-bearing borrowings	**489,857**	653,732
Interest on lease liabilities	**717**	232
Other borrowing costs	**15,292**	12,047
Less: Amounts capitalised into properties under development and investment properties under development	**(200,415)**	(212,000)
	305,451	454,011
Bank charge and others	**25,684**	14,353
Net foreign exchange loss/(gain)	**1,554**	(724)
	332,689	467,640

(b) Staff costs

Salaries, wages and other benefits	**146,028**	137,916
Contributions to defined contribution retirement plans	**15,029**	11,306
Equity-settled share-based payment expenses	**315**	6,110
	161,372	155,332

(c) Other items

Amortisation	**28,419**	27,722
Depreciation		
— owned property, plant and equipment	**17,729**	15,902
— right-of-use assets	**8,071**	7,511
Research and development costs (other than amortisation)	**14,346**	11,945
Impairment losses		
— trade debtors and bill receivables	**15,928**	49,334
— loans and factoring receivables	**538**	(917)
Short-term lease expenses	**7,390**	6,924
Cost of construction contract	**4,462**	2,757
Cost of commodities sold	**49,444,721**	34,824,017
Cost of properties sold	**84,311**	192,056

6 INCOME TAX

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("**PRC CIT**")	**38,324**	73,772
PRC Land Appreciation Tax ("**PRC LAT**")	**5,866**	10,905
	44,190	84,677
Deferred tax		
Origination and reversal of temporary differences	**(22,887)**	128,952
	21,303	213,629

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

(ii) No provision for Hong Kong Profits Tax or Singapore Corporate Income Tax as the Group did not earn any assessable income subject to Hong Kong Profits Tax or Singapore Corporate Income Tax during the six months ended 30 June 2021 and 2020.

(iii) Pursuant to the rules and regulations applicable to encouraged industries in the PRC western development strategy and e-commerce industry in Guangxi Province, one subsidiary of the Group, GSMN Logistics Co., Ltd., is subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2021, and two subsidiaries of the Group, Guangxi Sugar Market Network Co., Ltd. and Guangxi Bave Block Trading Market Co., Ltd. are subject to PRC CIT at a preferential tax rate of 9% for the six months ended 30 June 2021. Pursuant to the rules and regulations applicable to advanced technology enterprises of the PRC, three subsidiaries of the Group, Zallgo Information Technology (Wuhan) Co., Ltd., Shenzhen AP88. com Agriculture Information Technology Limited and Zallsoon Information Technology (Wuhan) Co., Ltd. are subject to PRC CIT at a preferential tax rate of 15% for the six months ended 30 June 2021. The application of preferential tax rate will be reviewed by the tax authority annually.

All the other PRC subsidiaries of the Group are subject to income tax at 25% for the six months ended 30 June 2021 under the PRC Corporate Income Tax Law which was enacted on 16 March 2007.

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

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

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

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

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

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB30,865,000 (six months ended 30 June 2020: RMB290,798,000) and the weighted average of 11,777,510,000 ordinary shares (adjusted for ordinary shares issued for Management Share Award Scheme) in issue during the six months ended 30 June 2021 (six months ended 30 June 2020: 11,754,792,000).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares issued for the six months ended 30 June 2021 and 2020, and therefore, diluted earnings per share are the same as the basic earnings per share for the six months ended 30 June 2021 and 2020.

8 INVESTMENT PROPERTIES

The Group's investment properties carried at fair value were revalued as at 30 June 2021 by Jones Lang Lasalle Corporate Appraisal and Advisory Limited, an independent firm of surveyors, using the same valuation techniques as were used by this valuer when arranging out the December 2020 valuations.

As a result of the update, a net fair value gain of RMB2,441,000 (six months ended 30 June 2020: RMB601,070,000), and deferred tax thereon of RMB610,000 (six months ended 30 June 2020: RMB150,268,000), has been recognised in profit or loss in respect of investment properties.

As at 30 June 2021, the Group's investment properties and investment properties under development with an aggregated carrying value of RMB21,248,665,000 (31 December 2020: RMB19,557,888,000) were pledged as collateral for the Group's interest-bearing borrowings (note 12).

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group entered into several lease agreements for use of office premises and warehouses, and therefore recognised the additions to right-of-use assets of RMB2,059,000.

During the six months ended 30 June 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. There were no rent concessions received during the six months ended 30 June 2021. The amount of fixed lease payments for the interim reporting period is summarised below:

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

	Six months ended 30 June 2020		
	Fixed payments	COVID-19 rent concessions	Total payments
	RMB'000	*RMB'000*	*RMB'000*
Office premises and warehouses	9,193	(1,064)	8,129

The Group has early adopted the Amendment to IFRS 16, *Covid-19-Related Rent Concessions*, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the corresponding period last year.

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with aggregate costs of RMB9,225,000 (six months ended 30 June 2020: RMB9,025,000).

Items of property, plant and equipment with net book value of RMB54,000 were disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB1,123,000), resulting in a loss on disposal of RMB11,000 (six months ended 30 June 2020: a gain of RMB114,000).

As at 30 June 2021, the ownership certificates for certain buildings with net book value of RMB38,008,000 have not been obtained (31 December 2020: RMB39,744,000).

As at 30 June 2021, the Group's buildings with carrying value of RMB115,084,000 (31 December 2020: RMB115,898,000) were pledged as collateral for the Group's interest-bearing borrowings (note 12).

10 TRADE AND OTHER RECEIVABLES

	30 June 2021 *RMB'000*	31 December 2020 *RMB'000*
Trade debtors and bills receivables, net of loss allowance	**3,784,573**	5,951,018
Loans and factoring receivables, net of loss allowance	**921,441**	1,602,380
	4,706,014	7,553,398
Advances to suppliers	**3,573,337**	3,526,630
Other receivables, deposits and prepayments	**1,907,729**	1,525,188
	10,187,080	12,605,216

As at 30 June 2021, trade debtors of RMB25,755,000 (31 December 2020: RMB24,739,000) and other receivables of RMB8,000,000 (31 December 2020: RMB8,000,000) were pledged as collateral for the Group's interest-bearing borrowings (note 12).

(a) Ageing analysis of trade debtors and bill receivables

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

	30 June 2021 *RMB'000*	31 December 2020 *RMB'000*
Within 6 months	**2,045,057**	1,507,850
6 to 12 months	**1,521,698**	4,221,400
Over 12 months	**217,818**	221,768
	3,784,573	5,951,018

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 2021 *RMB'000*	31 December 2020 *RMB'000*
Secured loans receivable, net of loss allowance (i)	**769,323**	1,479,820
Unsecured loans receivable, net of loss allowance	**37,175**	39,386
Factoring receivables, net of loss allowance	**114,943**	83,174
	921,441	1,602,380

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

Ageing analysis

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

	30 June 2021 *RMB'000*	31 December 2020 *RMB'000*
Within 6 months	**613,717**	1,317,522
6 to 12 months	**101,303**	34,990
Over 12 months	**206,421**	249,868
	921,441	1,602,380

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

11 TRADE AND OTHER PAYABLES

	30 June 2021 *RMB'000*	31 December 2020 *RMB'000*
Trade and bills payables (i)	**8,186,749**	9,809,418
Receipts in advance (ii)	**219,359**	238,000
Other payables and accruals	**3,134,558**	2,913,846
	11,540,666	12,961,264

(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 2021 *RMB'000*	31 December 2020 *RMB'000*
Within 6 months	**4,483,434**	3,464,900
Over 6 months but within 12 months	**2,746,986**	5,408,737
Over 12 months	**956,329**	935,781
	8,186,749	9,809,418

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

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

	30 June 2021 *RMB'000*	31 December 2020 *RMB'000*
Pledged bank deposits	**4,675,678**	4,590,284
Wealth management products and trust products	**607,723**	2,803,162
Investment properties	**–**	108,388
Completed properties held for sale	**–**	332
Property, plant and equipment	**–**	458
	5,283,401	7,502,624

12 INTEREST-BEARING BORROWINGS

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

	Note	**30 June 2021** *RMB'000*	31 December 2020 *RMB'000*
Current			
Bank loans and loans from other financial institutions	*12(a)*	**9,035,417**	9,905,135
Other loans	*12(b)*	**152,563**	1,103,563
Loans from an entity controlled by Ultimate Controlling Party	*12(c)*	**20,000**	20,000
Discounted bank acceptance bills	*12(d)*	**1,695,795**	4,379,859
		10,903,775	15,408,557
Non-current			
Bank loans and loans from other financial institutions	*12(a)*	**1,301,526**	1,155,365
Other loans	*12(b)*	**4,520,443**	4,115,660
		5,821,969	5,271,025
		16,725,744	20,679,582

(a) Bank loans and loans from other financial institutions

At 30 June 2021, the bank loans and loans from other financial institutions were repayable as follows:

	30 June 2021 *RMB'000*	31 December 2020 *RMB'000*
Within 1 year or on demand	**9,035,417**	9,905,135
After 1 year but within 2 years	**604,943**	700,949
After 2 years but within 5 years	**596,583**	411,416
After 5 years	**100,000**	43,000
	1,301,526	1,155,365
	10,336,943	11,060,500

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
Secured/guaranteed	**9,354,802**	10,310,334
Unsecured	**982,141**	750,166
	10,336,943	11,060,500

(ii) At 30 June 2021, certain bank loans and loans from other financial institutions of RMB61,000,000 (31 December 2020: RMB423,000,000), RMB40,000,000 (31 December 2020: RMB380,000,000) and RMB630,695,000 (31 December 2020: RMB944,898,000) were guaranteed by a third party, related parties and the Group's subsidiaries, respectively. Certain bank loans and loans from other financial institutions of RMB8,623,107,000 (31 December 2020: RMB8,617,436,000) were secured by the following assets of the Group:

	Note	30 June 2021 RMB'000	31 December 2020 RMB'000
Pledged bank deposits		**2,231,520**	2,073,966
Trade receivables	*10*	**25,755**	24,739
Other receivables	*10*	**8,000**	8,000
Investment properties	*8*	**16,172,038**	14,563,300
Investment properties under development	*8*	**5,076,627**	4,994,588
Properties under development		**548,785**	278,058
Completed properties held for sale		**211,589**	111,893
Property, plant and equipment	*9*	**115,084**	115,898
Wealth management products and trust products		**44,960**	518,321
		24,434,358	22,688,763

(iii) Bank loans and loans from other financial institutions bear interest ranging from 2.00% to 12.38% per annum as at 30 June 2021 (31 December 2020: 2.85% to 11.00% per annum).

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

As at 30 June 2021, bank loans and loans from other financial institutions of the Group of RMB3,783,590,000 (31 December 2020: RMB4,906,638,000) were not in compliance with the imposed covenants, of which RMB1,042,357,000 (31 December 2020: RMB1,721,373,000) the Group has obtained notices from the corresponding banks and other financial institutions, which confirmed that the respective subsidiaries of the Group would not be regarded as having breached the covenants and the banks and other financial institutions would not demand early repayment from the respective subsidiaries of the Group.

(b) Other loans

At 30 June 2021, other loans were repayable as follows:

	30 June 2021 *RMB'000*	31 December 2020 *RMB'000*
Within one year or on demand	**152,563**	1,103,563
After 1 year but within 2 years	**3,455,354**	2,078,480
After 2 years but within 5 years	**1,065,089**	2,037,180
	4,673,006	5,219,223

(i) As at 30 June 2021, other loans were secured as follows:

	30 June 2021 *RMB'000*	31 December 2020 *RMB'000*
Secured	**47,000**	–
Unsecured	**4,626,006**	5,219,223
	4,673,006	5,219,223

(ii) As at 30 June 2021, the property of RMB29,289,000 (31 December 2020: nil) was pledged to secure other loans.

(iii) Other loans bear interest ranging from 4.00% to 12.00% per annum as at 30 June 2021 (31 December 2020: 4.00% to 10.00%).

(c) Loans from an entity controlled by the ultimate controlling party of the Company ("**Ultimate Controlling Party**") are unsecured and bear interest of 5.00% per annum as at 30 June 2021.

(d) The Group has discounted bank acceptance bills of RMB1,695,795,000 as at 30 June 2021 (31 December 2020: RMB4,379,859,000). 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.

13 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2021 and 2020.

(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 2021 and 2020.

(b) Capital management

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

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

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

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

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

	30 June 2021	31 December 2020
	RMB'000	*RMB'000*
Current liabilities:		
Interest-bearing borrowings	**10,903,775**	15,408,557
Lease liabilities	**13,508**	15,108
Non-current liabilities:		
Interest-bearing borrowings	**5,821,969**	5,271,025
Lease liabilities	**10,340**	19,870
Total debt	**16,749,592**	20,714,560
Less: Pledged bank deposits	**6,908,010**	6,695,764
Cash and cash equivalents	**835,947**	1,184,708
Adjusted net debt	**9,005,635**	12,834,088
Total equity attributable to equity shareholders of the Company	**17,897,176**	17,870,129
Adjusted net debt-to-capital ratio	**50.32%**	71.82%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Consumer product-focused wholesale trading

With 32,000 merchants operating stably and mega market clusters with developed and developing area exceeding 6.8 million square metres in total, the Group's core project North Hankou International Trade Centre has now formed 30 large niche market clusters covering hotel supplies, branded clothing, second-hand vehicles, small merchandise, bedding, footwear and leatherware, hardware and electrical products, labour protection supplies, non-staple food, etc. The transaction amount achieved in the first half of 2021 was approximately RMB31.6 billion.

In the first half of 2021, North Hankou International Trade Centre attracted investment for an additional area of approximately 107,000 square metres overall. The properties in T zone of Zall Wanguo City created a unique experience with the completion of Hankow Town and Opera Wharf featuring streetscape scenarios, going viral on the Internet and significantly boosting market awareness. Approximately 25,000 square metres of completed GFA in K zone were deployed as the North Hankou Fresh Food Market, successfully attracting about 280 merchants and entering the final stage of preparation for official opening. In the first half of the year, Phase 2 of North Hankou Clothing City (H Zone) attracted about 30 clothing E-commerce live streaming merchants in total, covering approximately 10,000 square metres, with proactive initiatives taken to attract more investment in this industry with a view to building a base for clothing E-commerce live streaming merchants. Regarding new construction, building works in M zone had officially commenced; site handover, demolition and removal for V zone and preparation for commencement of works such as land resumption for Phase 2 of the Hankou North Vehicles World project were all in progress. The above works under construction will further expand logistics venues and enhance logistics functions for increasing the scale of second-hand vehicle transactions.

Keeping up with the trend of industrial transformation and upgrading in Beijing-Tianjin-Hebei region, Tianjin Zall E-commerce Mall, the Group's flagship project in Northern China, has dug deep into the industrial and resource advantages of Northern China, established an ecological cluster model of online commodity trading, achieved the integration of online and offline development, and strived to become a benchmark digital commodity trading platform in Northern China.

Since 2021, Tianjin Zall E-commerce Mall has been deeply exploring various fields such as building and decoration materials for homes, and enriching itself in the business areas at jade, artefacts and ornaments, miscellaneous goods, flower, bird, fish, pet, fur, clothing, education and training, as well as warehousing and logistics. In view of the trend of consumption segmentation in the market, Tianjin Zall E-commerce Mall continued to strengthen the introduction of mainstream brands and types that can meet consumer demands and optimize its business planning of its projects through offering niche arcades including Zall Home Decoration Plaza, Zall Tianjin Fur City, Zall Culture and Lifestyle Plaza. During the period, Tianjin Zall E-commerce Mall boosted customer stickiness using online short video platforms, self-media platforms and professional MCN institutions as portals for attracting customer traffic and staging various large-scale offline activities such as festival marketing and home decoration festivals for customer base expansion and product promotion. Through a series of calibrated marketing approaches and innovative services, the Company steadily increased its influence in Tianjin, increased brand awareness among consumers to a certain extent, and successfully became an entrant for 2021 key commercial projects promotion events in Tianjin in March. Meanwhile, ancillary commercial facilities such as star-rated hotel, talent apartment, commercial building, education base and amusement plaza were constantly improved, and functional supporting facilities such as the live streaming e-commerce base and warehousing and logistics areas that integrated online and offline features were taking shape. In addition, Tianjin Zall E-commerce Mall held the Tianjin Hubei Merchants Development Exchange Forum (天津楚商發展交流會) and significantly boosted market prosperity by rendering assistance to the industry through attracting investment and promoting sales with consolidated resources from various chambers and associations.

Supply chain management and trading

The Group has so far established a B2B trading platform matrix for agricultural products, chemicals, plastics, ferrous metals, non-ferrous metals, energy, etc.

Regarding Shenzhen Sinoagri E-commerce Co., Ltd. ("**Shenzhen Sinoagri**"), an e-commerce platform for the agricultural products of the Group, it formulated reasonable sugar sourcing plans in the advantageous white sugar sector, launched product lines in a flexible manner, and shifted customer sales to online channels and platforms, resulting in boosting business service efficiency and competitiveness. While the market price of white sugar has maintained a moderate rising trend since February of the year, active trading by customers has promoted an increase in business projects. The white sugar sector recorded revenue of RMB19.1 billion in the first half of the year. For the multi-product trading sector, Shenzhen Sinoagri proactively aligned itself with long-term development strategies and expanded new product types appropriately. On the back of its resource consolidation advantages, it maintained stable cooperation with upstream and downstream customers and expanded the scale of several types of agricultural commodities including grains for oil, raw materials for fodder and dried condiments. Multi-product trading recorded revenue of RMB5.2 billion in the first half of the year. To improve customer experience in using online products and boost business service efficiency, Shenzhen Sinoagri continued to enhance its capability in digital innovation, digital connectivity and digital insights in the first half of the year. On the one hand, Shenzhen Sinoagri improved the online transaction processes of Mutian Mall on the basis of its existing business, completed the streamlining of product manuals and processes of its existing business, and possessed the standards for online development and scenario-based business. On the other hand, accelerated establishment of risk control systems for data through technology innovation strengthened protection and innovation for customer financing. It focused on promoting online credit business and establishing financial malls, and completed deployment of the application of the credit factory according to the procedures. For the period ended 30 June 2021, Shenzhen Sinoagri recorded revenue of approximately RMB24.5 billion from supply chain management and trading business.

HSH International Inc. ("**HSH**"), a chemicals and plastics e-commerce platform within the Group, is committed to expediting the infrastructure construction of "Internet + chemicals and plastic raw materials", strives to secure new breakthroughs on the digital supply chain service platform and forge a fresh ecosystem across the whole chemical industrial chain on the back of the innovative business model of distributed sharing platform. During the first half of the year, HSH exerted on-going efforts to cement sales channels and leveraged value converted from data to bolster the supply chain financial support lent to small and micro enterprises. It continued to enrich the chemicals product portfolios by introducing high-yielding business such as styrene and pure benzene, in a bid to seize market share. In addition, it engaged professional analyst team to make judgments on the price trend of the major products and provide procurement and sales guidance price for the business department, which would then conduct transactions based on the actual market condition, so as to minimise risks arising from the decision-making process. For the period ended 30 June 2021, HSH recorded revenue of approximately RMB8.3 billion.

In the bulk black commodity 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, mainly builds integrated service platform for intelligent trading and supply chain services for upstream, midstream and downstream supply chain partners of the steel industry chain. In the first half of the year, Zall Steel won multiple recognitions and awards, including CMMI3 Certification Qualification, 2021 Excellent Modern Supply Chain Service Provider in China's Supply Chain Finance Ecology (2021中國供應鏈金融生態優秀現代供應鏈服務商), Trade Headquarters in 2020 (2020年度貿易型總部) and 2021 Excellent Case of China's Industrial Blockchain (2021年度中國產業區塊鏈優秀案例). Since the establishment, Zall Steel has built business partnerships with approximately 40,000 upstream and downstream customers. For the period ended 30 June 2021, Zall Steel recorded revenue of approximately RMB14.7 billion.

In respect of international business, the Group's Commodities Intelligence Centre Pte. Ltd. ("**CIC**") provides integrated services covering transaction matching, custom clearance and declaration, supply chain logistics, trade financing, supply chain finance and global compliance regulation, as well as trade data and trade index services, achieving smart commodity trading throughout the process. Up to 30 June 2021, CIC recorded accumulative transaction amount of over USD13.95 billion and over 7,900 registered users, and completed its business footprint in China, Singapore, Australia, India, Malaysia and many other Asian countries, focusing on transactions in non-ferrous metals, ferrous metals, chemicals and plastics materials, agricultural products, energy and other categories. CIC continued to increase investment in product R&D and launched Corp Info in the first half of the year. It also rolled out the services of credit reports for Chinese and Singapore enterprises, and bespoke reporting for clients in Russia, Hong Kong and Taiwan, bilingually deliverable in Chinese and English. In view of its capability in terms of innovative services, CIC won the first international award in the field of "business to business service innovation" — a gold at 2021 Asia-Pacific Stevie ® Awards. From 2021, CIC further optimized the operating strategy and product structure, focusing on energy types with higher profit margin (for example, coal). As a result, the gross profit margin increased during the first half of the year despite the decrease in revenue compared with the corresponding period last year. For the period ended 30 June 2021, CIC recorded revenue of approximately RMB644 million.

Through online and offline integrated development in recent years, the Group has established and operated B2B trading platforms with significant influence for agricultural products, chemicals and plastics materials, ferrous metals, non-ferrous metals, energy, etc., and its supply chain management and trading business has grown significantly. The Group will further expand into other sectors through organic development or merger and acquisition when the appropriate opportunity arises, continuously enrich and perfect Zall Smart's intelligent ecosphere and further enhance operating efficiency.

FUTURE PROSPECTS

Digitalization of trading is a product of the integration of intelligent technologies. New types and models of trading businesses arising from digital technologies have become an important growth engine for the Chinese economy. Digital economy has been elevated to the height of national strategy, fueling the high-quality economic development of China. Since commencing its Internet transformation in an all-round manner in 2015, Zall Smart has been actively building an intelligent trading platform with blockchain, big data, artificial intelligence, and the Internet-of-Things as the underlying technologies to provide digital services such as trading, logistics, warehousing, finance, and supply chain management for industries such as agricultural products, steel, chemical plastics, wholesale markets, and cross-border trading, driving the transformation and upgrade of traditional trading to digital trading.

Going forward, Zall Smart will continue to build on "data + scenario", develop "new trading models", and apply digital technologies to become an important pillar in promoting industrial innovation, structural upgrade and the integration of internal and external circulations, fulfilling its mission of facilitating effective distribution of commercial trading and helping enterprises reduce cost and enhance efficiency.

INVESTMENT PORTFOLIO

The portfolio of listed equity investments of the Group as at 30 June 2021 and 31 December 2020 were as follows:

As at 30 June 2021

Stock code	**Name of investee company**	**Number of shares held**	**Effective shareholding interest**	**Acquisition cost** *RMB'000*	**Carrying amount as at 30 June 2021** *RMB'000*	**Unrealised holding loss arising on revaluation for the six months ended 30 June 2021** *RMB'000*	**Realised holding loss arising on disposal for the six months ended 30 June 2021** *RMB'000*	**Dividend received for the six months ended 30 June 2021** *RMB'000*
00607.HKEX	Fullshare Holdings Limited ("**Fullshare**")	590,962,500	3.00%	620,157	65,400	28,113	–	–

As at 31 December 2020

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost *RMB'000*	Carrying amount as at 31 December 2020 *RMB'000*	Unrealised holding gain arising on revaluation for the year ended 31 December 2020 *RMB'000*	Realised holding loss arising on disposal for the year ended 31 December 2020 *RMB'000*	Dividend received for the year ended 31 December 2020 *RMB'000*
00607.HKEX	Fullshare	590,962,500	3.00%	620,157	94,502	5,102	–	–

As at 30 June 2021, the Group held approximately 590,962,500 (31 December 2020: 590,962,500) shares in Fullshare, representing approximately 3.0% of its entire issued share capital (31 December 2020: 3.0%). Fullshare is listed on the main board of the Stock Exchange of Hong Kong Limited. Its principal activities are property development, tourism, investment, provision of healthcare products and services business and new energy business. The Group recognized an unrealised holding loss of approximately RMB28.1 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: RMB20.8 million). The carrying amount of investment in Fullshare accounts for approximately 0.11% of the Group's total assets as at 30 June 2021 (31 December 2020: 0.15%). 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 are volatile in nature. The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

RESULTS OF OPERATION

Operating revenue

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
— Revenue from sales of properties and related services	**169,152**	255,470
— Revenue from supply chain management and trading business	**49,527,936**	34,956,298
— Revenue from construction contracts	**4,462**	2,757
— Others	**26,179**	112,364
	49,727,729	35,326,889
Revenue from other sources		
Gross rentals from investment properties		
— Lease payments that are fixed	**345,162**	343,150
Financing income	**47,090**	36,622
Others	**40,297**	56,403
	50,160,278	35,763,064

Revenue of Group increased significantly by approximately 40.3% from approximately RMB35,763.1 million for the six months ended 30 June 2020 to approximately RMB50,160.3 million for the six months ended 30 June 2021. The significant increase was primarily due to the offsetting effect of (i) the significant increase in revenue from supply chain management and trading business; and (ii) the decrease in revenue from sales of properties and related services.

Revenue from supply chain management and trading business

The Group's revenue from supply chain management and trading business has contributed approximately 98.7% of the Group's total revenue for the six months ended 30 June 2021. Work and production resumed due to the improving situation of COVID-19 pandemic, hence trading volumes on the platforms increased significantly over the same period last year. The significant increase in revenue from supply chain management and trading business was primarily attributable to (i) increased revenue from Shenzhen Sinoagri; (ii) increased revenue from Zall Steel; (iii) increased revenue from HSH.

Rental income from investment properties

The Group's rental income remains stable from approximately RMB343.2 million for the six months ended 30 June 2020 to approximately RMB345.2 million for the six months ended 30 June 2021.

Revenue from financing income

The Group's financing income increased by approximately 28.6% from approximately RMB36.6 million for the six months ended 30 June 2020 to approximately RMB47.1 million for the six months ended 30 June 2021. The increase was mainly due to the slight increase in the scale of supply chain finance business of Shenzhen Sinoagri compared with the same period of last year.

Revenue from construction contracts

The Group's revenue from construction contract to build certain properties on behalf of a third party increased by approximately 61.8% from approximately RMB2.8 million for the six months ended 30 June 2020 to approximately RMB4.5 million for the six months ended 30 June 2021. The revenue was recognised according to the actual cost incurred for the six months ended 30 June 2021. The increase was primarily due to the increase of the cost incurred for property development projects for the six months ended 30 June 2021.

Revenue from sales of properties and related services

Revenue from the sale of properties and related services decreased by approximately 33.8% from approximately RMB255.5 million for the six months ended 30 June 2020 to approximately RMB169.2 million for the six months ended 30 June 2021.

The Group's revenue from sales of properties was generated from the sales of industrial plants units, auxiliary facilities units, office and retails units and residential apartments. The decrease in revenue from sales of properties was mainly due to the decrease in gross floor area delivered during the six months ended 30 June 2021.

Cost of sales

Cost of sales of the Group increased by approximately 40.8% from approximately RMB35,201.7 million for the six months ended 30 June 2020 to approximately RMB49,553.7 million for the six months ended 30 June 2021. The increase was primarily due to the significant increase in trading volume of Shenzhen Sinoagri, Zall Steel and HSH over the same period of last year.

Gross profit

Gross profit of the Group increased by approximately 8.1% from approximately RMB561.4 million for the six months ended 30 June 2020 to approximately RMB606.6 million for the six months ended 30 June 2021. The Group's gross profit margin slightly decreased from approximately 1.6% in the first half of 2020 to approximately 1.2% in the first half of 2021. It was mainly due to the net effect of (i) revenue from sales of the properties and related services with a higher gross margin decreased compared with corresponding period last year; (ii) revenue from supply chain management and trading business with a lower gross margin increased significantly compared with corresponding period last year.

Other net income

Other net income of the Group decreased by approximately 69.9% from approximately RMB62.1 million for the six months ended 30 June 2020 to approximately RMB18.7 million for the six months ended 30 June 2021. The change was mainly due to the net loss in the fair value change on contingent consideration recognized upon the acquisition of Shenzhen Sinoagri at fair value through profit or loss significantly increased from approximately RMB9.0 million for the six months ended 30 June 2020 to approximately RMB50.9 million for the six months ended 30 June 2021.

Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately 36.7% from RMB69.9 million for the six months ended 30 June 2020 to approximately RMB95.6 million for the six months ended 30 June 2021. The increase was primarily due to (i) the increase in staff costs of approximately RMB17.1 million; and (ii) the increase in office utilities and property expenses of approximately RMB7.1 million.

Administrative and other expenses

Administrative and other expenses of the Group increased by approximately 2.1% from approximately RMB283.9 million for the six months ended 30 June 2020 to approximately RMB289.8 million for the six months ended 30 June 2021. The increase was mainly due to (i) increase in research and development costs of approximately RMB2.4 million; and (ii) increase in short-term lease expense of approximately RMB1.9 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 decreased by approximately 99.6% from approximately RMB601.1 million for the six months ended 30 June 2020 to approximately RMB2.4 million for the six months ended 30 June 2021. The main reason for the decrease was that the Group had no additional properties transferred to investment properties for rental purposes during the six months ended 30 June 2021. The return of investment properties remains stable and the Group will closely monitor the performance of its investment and adjust investment plan when necessary.

Finance income and costs

Finance income of the Group decreased by approximately 1.3% from approximately RMB137.6 million for the six months ended 30 June 2020 to approximately RMB135.8 million for the six months ended 30 June 2021. There were no significant fluctuations compared with prior period.

Finance cost of the Group decreased by approximately 28.9% from approximately RMB467.6 million for the six months ended 30 June 2020 to approximately RMB332.7 million for the six months ended 30 June 2021. The decrease was mainly due to the decrease in the amount of interest-bearing borrowings during the period.

Share of net profits of associates

Share of net profits of associates increased by approximately 28.7% from approximately RMB19.7 million for the six months ended 30 June 2020 to approximately RMB25.3 million for the six months ended 30 June 2021. The increase was mainly attributed to the increase in the profits from material associates, namely, LightInTheBox Holding Co., Ltd. (蘭亭集勢) and Ningbo Haishangxian Information Technology Co., Ltd.* (寧波海上鮮信息技術有限公司).

Share of net losses of joint ventures

Share of net losses of joint ventures of the Group decreased by approximately 53.1% from approximately RMB1.5 million for the six months ended 30 June 2020 to approximately RMB0.7 million for the six months ended 30 June 2021. The decrease was primarily due to the decrease in the Group's share of net losses of AP V-Best Supply Chain (Shanghai) Ltd.

Income tax

Income tax significantly decreased by approximately 90.0% from approximately RMB213.6 million for the six months ended 30 June 2020 to approximately RMB21.3 million for the six months ended 30 June 2021. The decrease was mainly due to the decrease in deferred tax as a result of the decrease of net valuation gain on investment properties for the six months ended 30 June 2021.

Profit for the period

For the six months ended 30 June 2021, the Group recorded a net profit of approximately RMB32.4 million. Profit attributable to equity shareholders of the Company for the six months ended 30 June 2021 was approximately RMB30.9 million, representing a decrease of approximately 89.4% over the amount of approximately RMB290.8 million for the six months ended 30 June 2020.

Liquidity and capital resources

As at 30 June 2021, the Group had net current liabilities of approximately RMB3,147.2 million (31 December 2020: approximately RMB3,668.3 million) and net assets of approximately RMB18,357.7 million (31 December 2020: approximately RMB18,334.5 million). Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include (i) the Group is working on generating positive operating cash flows for the next twelve months by implementing various strategies to improve the Group's income from sales of properties, supply chain management and trading business and rentals from investment properties to generate additional operating cash inflows and putting extra efforts on the collection of trade debtors to improve the debtor turnover days; (ii) the Group is actively and regularly reviewing its capital structure and will consider raising additional capital by issuing bonds or new shares, where appropriate; and (iii) the Group may dispose of non-core business and assets to raise additional capital. As at 30 June 2021, the Group's equity attributable to equity shareholders of the Company amounted to approximately RMB17,897.2 million (31 December 2020: approximately RMB17,870.1 million), comprising issued capital of approximately RMB32.7 million (31 December 2020: approximately RMB32.7 million) and reserves of approximately RMB17,864.4 million (31 December 2020: approximately RMB17,837.4 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 2021, the Group's cash and cash equivalents amounted to approximately RMB835.9 million (31 December 2020: approximately RMB1,184.7 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 approximately19.1% from approximately RMB20,679.6 million as at 31 December 2020 to approximately RMB16,725.7 million as at 30 June 2021. Majority of the interest-bearing borrowings were denominated in RMB, being the functional currency of the Group. Details of the interest rates and the maturity profile of borrowings during the six months ended 30 June 2021 are set out in note 12 of this announcement.

Net gearing ratio

The Group's net gearing ratio decreased from approximately 71.8% as at 31 December 2020 to approximately 50.3% as at 30 June 2021. The decrease in net gearing ratio was mainly due to the decrease in the amount of interest-bearing borrowings. 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 2021, 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 2021, the Group had pledged certain of its assets with a total book value of approximately RMB26,159.4 million (31 December 2020: approximately RMB27,068.6 million) and a total book value of approximately RMB5,283.4 million (31 December 2020: approximately RMB7,502.6 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

On 20 May 2021, Zall Smart Commerce Group Co., Ltd.* (卓爾智聯集團有限公司, "the Seller"), a wholly-owned subsidiary of the Company, and Wuhan Zall Venture Investment Co., Ltd.* (武漢卓爾創業投資有限公司, "the Purchaser"), a company owned as to 99.95% by Mr. Yan Zhi, entered into the equity transfer agreement, pursuant to which the Seller agreed to sell, and the Purchaser agreed to acquire, the 86% equity interest in Wuhan Zall Digital Media Technology Co., Limited*（武漢卓爾數字傳媒科技有限公司）held by the Seller at the consideration of RMB60,034,300. For details please refer to the Company's announcement dated 20 May 2021. 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 2021 are set out in note 8 of this announcement.

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

Save as disclosed above, the Group did not have other significant investments and future plans for the six months ended 30 June 2021.

Segment reporting

Details of the segment reporting of the Group for the six months ended 30 June 2021 are set out in note 3 of this announcement.

Contingent liabilities

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

As at 30 June 2021, the guarantees in relation to mortgage facilities granted to purchasers of the Group's properties amounted to approximately RMB328.9 million (31 December 2020: approximately RMB387.0 million). As at 30 June 2021, the Group provided a financial guarantee to third parties of approximately RMB180 million as at 30 June 2021 (31 December 2020: approximately RMB7.2 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 2021. For details, please refer to note 2 to the unaudited condensed consolidated interim results of the Company in this announcement.

EVENT SUBSEQUENT TO END OF REPORTING PERIOD

Referring to the announcement of the Company dated 31 March 2021 and further updating on the further acquisition of Shenzhen Sinoagri, as at 27 August 2021, the Company has fully settled the consideration of the first tranche of the Subsequent Target Equity Interest (being 3% of the total equity interest of Shenzhen Sinoagri) to Shenzhen Agricultural Products Co., Ltd.* (深圳市農產品股份有限公司). Pursuant to the share purchase agreement, all the conditions precedent to the closing of the first tranche of the Subsequent Target Equity Interest has been fulfilled, the Parties will arrange the change of registration procedures with relevant governmental authorities for the Subsequent Target Equity Interest, signing the new joint investment agreement* (合資合同) and articles of association* (章程) of the Project Company (if necessary). Moreover, as at the date of this announcement, the Parties are in the progress of fulfilling the remaining conditions precedent of the second tranche of the Subsequent Target Equity Interest (being 3% of the total equity of Shenzhen Sinoagri). It is expected that the acquisition of the second tranche of the Subsequent Target Equity Interest would be completed on or before 31 December 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group employed a total of 1,849 full time employees (30 June 2020: 1,944). Remuneration for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2021, the employees benefit expenses were approximately RMB161.4 million (for the six months ended 30 June 2020: approximately RMB155.3 million). The increase was due to the net effect of increase in wages and other benefits, contributions to the defined contribution retirement plan by approximately RMB11.9 million and decrease in equity-settled share payment expense by approximately RMB5.8 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, 45,667,950 share options were outstanding as at 30 June 2021. The Company has approved and adopted a new share option scheme on 28 May 2021 to continue the grant of share options to eligible participants as incentives of rewards for their contribution or potential contribution to the Group. As at 30 June 2021, no share options have been granted under the new share option scheme.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its corporate governance code of practices. In the opinion of the Board, the Company had complied with all the code provisions as set out in the CG Code throughout the six months ended 30 June 2021.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code for dealing in securities of the Company by the Directors during the six months ended 30 June 2021. 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 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF THE INTERIM RESULTS

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

The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2021 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters of the Group.

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement has been published on the website of the Stock Exchange at http://www.hkexnews.hk and on the website of the Company at http://www.zallcn.com. The interim report for the six months ended 30 June 2021 of the Group containing all the information required by the Listing Rules will also be published on the same websites and dispatched to the shareholders of the Company in due course.

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

Hong Kong, 31 August 2021

As at the date of this announcement, the Board comprises nine members, of which Mr. Yan Zhi, Dr. Gang Yu, Mr. Wei Zhe, David, Mr. Qi Zhiping, Mr. Yu Wei and Mr. Xia Lifeng are executive directors of the Company; and Mr. Cheung Ka Fai, Mr. Wu Ying and Mr. Zhu Zhengfu are independent non- executive directors of the Company.

* *For identification purposes only*