

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

金融

物流

產業電商

數字雲服務

倉儲

線下市場

Global Digital Trade Platform

2021

INTERIM REPORT



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.

Contents

2	Corporate Information
4	Chairman's Statement
6	Management Discussion and Analysis
16	Disclosure of Other Information
27	Consolidated Statement of Profit or Loss
28	Consolidated Statement of Profit or Loss and Other Comprehensive Income
29	Consolidated Statement of Financial Position
31	Consolidated Statement of Changes in Equity
32	Condensed Consolidated Cash Flow Statement
34	Notes to the Unaudited Interim Financial Report

Corporate Information

DIRECTORS

Executive Directors	Mr. Yan Zhi (<i>Co-chairman and Co-chief executive officer</i>) Dr. Gang Yu (<i>Co-chairman</i>) Mr. Wei Zhe, David Mr. Qi Zhiping (<i>Co-chief executive officer</i>) Ms. Min Xueqin (resigned on 30 April 2021) Mr. Yu Wei (appointed on 15 June 2021) Mr. Xia Lifeng (appointed on 15 June 2021)
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 Ms. Min Xueqin (resigned on 30 April 2021) Mr. Qi Zhiping (appointed on 30 April 2021)
Company Secretary	Ms. Foo Man Yee, Carina
Company Website	http://www.zallcn.com/
Authorised Representatives	Ms. Foo Man Yee, Carina Ms. Min Xueqin (resigned on 30 April 2021) Mr. Qi Zhiping (appointed on 30 April 2021)
Hong Kong Share Registrar	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Share Registrar and Transfer Office	Suntera (Cayman) Limited Suite 3204, Unit 2A, Block 3 Building D, P.O. Box 1586 Gardenia Court, Camana Bay Grand Cayman, KY1-1100 Cayman Islands
Legal Advisors	P. C. Woo & Co. Sidley Austin
Principal Bankers	China Construction Bank China Mingsheng Bank China Resources Bank of Zhuhai China Everbright Bank

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Zall Smart Commerce Group Ltd. (the "Company" or "Zall Smart"), I hereby present the interim report of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2021.

With the current boom of digital technology, digital industrialisation and industrial digitisation witnessed robust development, and digital trade and digital economy are emerging as new drivers behind global economic growth. Capitalising on its comprehensive layout in the field of digital trade, Zall Smart has established a new brand positioning to tap into the "New Mode of Trading" leveraging on digital technologies such as big data, artificial intelligence and blockchain, in a bid to become the world's leading digital trade platform.

During the first half of 2021, Zall Smart remained focused on digital trade and continued to promote online and offline coordination, and domestic and foreign trade integration based on the two trading scenarios of wholesale market and commodities. It expedited the transformation and upgrading of traditional industries with new technologies and new business mode, constantly popularised the use of data and digital technologies along the entire industry chain, and bridged the gap between the demand side and the supply side to achieve innovative development for various industries in terms of production efficiency, product quality, business operations and supply chain services. By improving business efficiency and transforming industry value chains, the Company has intensified its value and reinforced industry influence.

In terms of offline markets, products ordering fairs of multiple niche markets rolled out smoothly at the "North Hankou International Trade Centre", which developed prosperously with continuous flows of customers and goods transportation. The Group spared no effort in fostering the largest domestic e-commerce vendor base, strived to build the live broadcast trade industry ecosystem along the whole industry chain, and achieved initial success in integration of the traditional e-commerce model and live broadcast business model. It won the second place in the "List of China's TOP 10 Comprehensive Commerce and Trade Markets in 2021", ranking first in the commerce and trade markets of central and western China. The 12 major projects underpinning the "Wuhan International Trade City", an upgrade complex based on the existing North Hankou, progressed smoothly, indicating that China's largest and world-leading commercial logistics platform is taking shape, and it was highly recommended to the world at the high-quality connectivity sub-forum of the Shanghai Cooperation Organisation Forum on People-to-people Friendship.

In terms of online platform, Shenzhen Sinoagri E-commerce Co., Ltd.* (深圳市中農網有限公司) ("Shenzhen Sinoagri") was included into the first batch of national supply chain innovation and application demonstration enterprises in recognition of its on-going efforts to optimise the online trading platforms for cocoon silk, sugar and other products, and innovate the warehousing, logistics and financial services. Shanghai Zall Steel E-commerce Co., Ltd.* (上海卓鋼鏈電子商務有限公司) ("Zall Steel") successfully obtained the CMMI3 international certification, the most authoritative evaluation and certification system in the international software industry, achieved substantial upgrading for its SaaS cloud service, and unveiled the ZCH (Fengshan Port) (卓倉匯(鳳山港務)) warehouse, thereby gradually improving its supply chain service system. The supply chain financial product "Plastic Loan" tailored for micro, small and medium-sized enterprises had provided relief to nearly 1,000 small and micro-sized enterprises since jointly launched by HSH International Inc. ("HSH") and Z-Bank one year ago, which established an ecosystem for industry-finance integration. Zallgo Information Technology (Wuhan) Co., Ltd.* (卓爾購信息科技(武漢)有限公司) ("Zallgo") leveraged the service capacity of the trading ecosphere of Zall Smart to get access to domestic and foreign superior resources, and tapped into the wholesale market and commodity trading scenarios to facilitate commodity circulation and serve buyers and sellers, and create a new business tool penetrating into trillion-level markets through digital empowerment, striving to become a super gateway for industrial Internet transactions and services.

Chairman's Statement (continued)

In terms of cross-border trade, Zall Smart newly established the “Zall International Trade Group” to provide one-stop integrated foreign trade and value-added services for import and export enterprises. Hankou North Import and Export Service Co., Ltd. (漢口北進出口服務有限公司) (“Hankou North International”) has been approved as the first batch of used car export enterprises in Wuhan, thus well-positioned for new development opportunities. Commodities Intelligence Centre Pte. Ltd. (“CIC”) established in Singapore won the gold medal in the Asia-Pacific Stevie® Awards 2021 and it is capturing the great opportunities presented by the RCEP (Regional Comprehensive Economic Partnership) agreement to speed up the expansion of global supply chain network and seize more opportunities in the international market.

In terms of digital technology and cloud services, the “Data Mutual Trust Project of Banking Financial Products Based on Low-code Blockchain Solution” developed by Zallgo and the “Data Cross-chain Platform Based on Privacy Protection” developed by Zall Smart Research Institute were included into the first batch of digital economy application scenario publishing projects in Wuhan, which further released commercial efficiency in industries empowered by digital technologies.

Drawing on its far-reaching influence in the digital trade field after years of accumulation, social responsibilities for business ethnics and the extraordinary achievements in promoting the digital transformation of traditional enterprises, Zall Smart has been widely recognised by capital, market, media and the public, and has won numerous honours and awards, such as the “Best New Economy Company”, “High-quality Development Listed Company”, “China’s TOP 10 Industrial Internet Listed Companies”, “China’s TOP 100 Industrial Internet Listed Companies (Digital Industry)”, “Best Hong Kong Listed Companies in Hubei”, and “No.155 on Fortune China Top 500 List in 2021”.

With the structural reform on the supply side and the continuous progress of the “dual circulation” new development pattern at home and abroad, the new generation of trade mode such as digital trade has played a crucial role in cultivating new economic growth drivers, exploring new approach to bridge the gap between supply and demand, and facilitating the upgrade of the industrial chain, and acts as the cornerstone to ensure the stability of the industrial chain and supply chain. Zall Smart primarily focuses on digital trade to help optimise industrial chain, integrate resources and improve the total factor productivity by providing transaction, supply chain and cloud technology services for enterprises, thereby fulfilling the mission of “making transactions smooth and simple”.

A firm belief contributes to sustainability. Zall Smart will continue to uphold the business philosophy of “connecting global business intelligently and creating value for clients”, and unwaveringly focus on the three principal business segments to provide innovative, diversified, efficient and convenient services to customers within the ecosystem. We expect to join hands with more domestic and foreign enterprises to expedite digital transformation of the global traditional trade industry and promote the development of digital economy. We are also convinced that Zall Smart is well-positioned to fully release the value of digital trade, rise to be the leader of new trade mode and become the world’s leading digital trade platform.

Yan Zhi
Co-Chairman

Hong Kong, 31 August 2021

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 E-commerce live streaming clothing 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 E-commerce live streaming clothing 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.



Management Discussion and Analysis (continued)

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 optimise 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, 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, thereby 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 enhanced 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.

Management Discussion and Analysis (continued)

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 on 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, 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 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 optimised 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.

Management Discussion and Analysis (continued)

FUTURE PROSPECTS

Digitalisation 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	-	-

Management Discussion and Analysis (continued)

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 recognised 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 emphasise 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 RMB'000	2020 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 the 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.

Management Discussion and Analysis (continued)

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.

Management Discussion and Analysis (continued)

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 recognised 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.

Management Discussion and Analysis (continued)

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 approximately 19.1% 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 18 of this report.

Management Discussion and Analysis (continued)

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 report.

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

Save as disclosed above, the Group did not have other significant investments and future plans for 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 report.

Management Discussion and Analysis (continued)

Contingent liabilities

In accordance with industrial practise, 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 report.

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 report, 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.

Disclosure of Other Information

SHARE OPTION SCHEMES

(a) Share Option Scheme adopted on 20 June 2011

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

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

1. Purpose of the Share Option Scheme

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

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

2. Participants of the Share Option Scheme

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

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

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

As the Share Option Scheme expired on 20 June 2021, no further options can be granted under the Share Option Scheme since then. As at the date this report, there are 45,667,950 outstanding share options, representing approximately 0.39% 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 2021 and Share Options granted, 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 2021	Price per Share immediately before the date of grant	Price per Share on exercise date
				Balance as at 1 January 2021	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period			
Directors:											
Mr. Qi Zhiping	22 December 2017	HK\$8.48	From the date when the exercise conditions are met to 21 December 2027 (Note 1)	2,283,398	-Nil-	-Nil-	-Nil-	-Nil-	2,283,398	HK\$8.46	N/A (Note 3)
	4 September 2018	HK\$6.66	(Note 2)	1,200,000	-Nil-	-Nil-	-Nil-	(1,200,000)	-	HK\$6.52	N/A (Note 3)
Spouse of Mr. Qi Zhiping	22 December 2017	HK\$8.48	From the date when the exercise conditions are met to 21 December 2027 (Note 1)	41,101,154	-Nil-	-Nil-	-Nil-	-Nil-	41,101,154	HK\$8.46	N/A (Note 3)
Ms. Min Xueqin (Note 4)	4 September 2018	HK\$6.66	(Note 2)	800,000	-Nil-	-Nil-	-Nil-	(800,000)	-	HK\$6.52	N/A (Note 3)
Employees of the Group	22 December 2017	HK\$8.48	From the date when the exercise conditions are met to 21 December 2027 (Note 1)	2,283,398	-Nil-	-Nil-	-Nil-	-Nil-	2,283,398	HK\$8.46	N/A (Note 3)
	4 September 2018	HK\$6.66	(Note 2)	14,160,000	-Nil-	-Nil-	-Nil-	(14,160,000)	-	HK\$6.52	N/A (Note 3)
Total				61,827,950	-Nil-	-Nil-	-Nil-	(16,160,000)	45,667,950		

Notes:

- Such Share Options shall be exercisable upon fulfilment of certain financial performance targets set out in the respective letters of the grant. For further details of the financial performance targets, please refer to the paragraph headed "Management Shares and Management Options" in the circular of the Company dated 15 February 2017.
- Subject to fulfilment of certain financial performance targets set out in the respective letters of grant, these Share Options shall be exercisable in the following manner:
 - the first 30% of the Share Options shall be exercisable by the grantee commencing from the first trading date after the 12-month period from the date of grant and ending on the last trading date of the 24-month period from the date of grant. However, certain financial performance target of the first 30% of the Share Options has not been fulfilled and those Share Options have lapsed;

Disclosure of Other Information (continued)

- (ii) the second 30% of the Share Options shall be exercisable by the grantee commencing from the first trading date after the 24-month period from the date of grant and ending on the last trading date of the 36-month period from the date of grant. However, certain financial performance target of the second 30% of the Share Options has not been fulfilled and those Share Options have lapsed; and
 - (iii) the remaining 40% of the Share Options shall be exercisable by the Grantee commencing from the first trading date after the 36-month period from the date of grant and ending on the last trading date of 48-month period from the date of grant. However, certain financial performance target of the remaining 40% of the Share Options has not been fulfilled and those Share Options have lapsed.
3. No Share Options had been exercised during the six months ended 30 June 2021.
 4. Ms. Min Xueqin resigned as an executive director of the Company on 30 April 2021. The Share Options granted to her lapsed automatically upon the cessation of her employment.

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 2021 and there were no Share Options granted during the six months ended 30 June 2021.

(b) Share Option Scheme adopted on 28 May 2021

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

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

1. Purpose of the 2021 Share Option Scheme

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

2. Participants of the 2021 Share Option Scheme

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

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

Disclosure of Other Information (continued)

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

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

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:

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

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

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

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

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

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

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

Disclosure of Other Information (continued)

8. The basis of determining the exercise price

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

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

9. The remaining life of the 2021 Share Option Scheme

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

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

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

CHANGES IN INFORMATION OF DIRECTORS

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

1. Mr. Qi Zhiping has been appointed as a member of the risk management committee and an authorised representative of the Company with effect from 30 April 2021.
2. Mr. Wei Zhe, David ceased to act as an independent director of Leju Holdings Limited in March 2021 and OneSmart International Education Group Limited in April 2021, which are listed on the New York Stock Exchange.
3. Mr. Yu Wei was appointed as an executive Director of the Company with effect from 15 June 2021.
4. Mr. Xia Lifeng was appointed as an executive Director of the Company with effect from 15 June 2021.
5. Ms. Min Xueqin resigned as an executive Director, a member of risk management committee and an authorised representative of the Company with effect from 30 April 2021.

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 2021, the interests or short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Interests in shares and underlying shares of the Company

Name of Director	Nature of interest	Number of ordinary shares/ underlying shares held	Approximate percentage of shareholding as at 30 June 2021 ⁽⁴⁾
Yan Zhi	Interest of controlled corporations	6,902,684,268 (L) ⁽¹⁾	58.58%
	Beneficial owner	73,833,000 (L)	0.63%
Gang Yu	Beneficial owner	101,090,840 (L)	0.86%
	Interest of spouse	11,800,000 (L)	0.10%
Wei Zhe, David	Interest of a controlled corporation	132,144,000 (L) ⁽²⁾	1.12%
		132,144,000 (S) ⁽²⁾	1.12%
	Beneficial owner	10,746,000 (L)	0.09%
		10,746,000 (S)	0.09%
Qi Zhiping	Beneficial owner	4,686,351 (L) ^{(3)(a)}	0.04%
	Interest of spouse	48,664,298 (L) ^{(3)(b)}	0.41%
Xia Lifeng ⁽⁵⁾	Beneficial owner	348,000 (L)	0.01%

(L) represents long position; (S) represents short position

Notes:

- (1) The 6,609,022,268 shares and 293,662,000 shares are held by Zall Development Investment Company Limited ("Zall Development Investment") and Zall Holdings Company Limited, respectively. Both companies are wholly owned by Mr. Yan Zhi.
- (2) The long and short positions in 89,163,000 shares are held by EJC Group Limited, a company which is indirectly owned as to 60% by Vision Knight Capital (China) Fund I, L.P., which is in turn indirectly owned as to 43.6% by Mr. Wei Zhe, David, and the long and short positions in 42,981,000 shares are held by Vision Knight Capital Management Limited, a company which is directly owned as to 99% by Mr. Wei Zhe, David.

Disclosure of Other Information (continued)

- (3) (a) These interests comprise 2,402,953 shares and 2,283,398 underlying shares in respect of share options granted by the Company pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes".
- (b) These interests comprise 7,563,144 shares and 41,101,154 underlying shares in respect of share options granted by the Company to the spouse of Mr. Qi Zhiping pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Schemes". By virtue of the SFO, Mr. Qi Zhiping deemed to be interested in the shares held by his spouse.
- (4) The percentages are calculated based on the total number of Shares of the Company in issue as at 30 June 2021 which was 11,782,825,800.
- (5) Mr. Xia Lifeng has been appointed as an executive Director of the Company with effect from 15 June 2021.

Save as disclosed above, as at 30 June 2021, 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 2021, the following persons, other than a Director or chief executive of the Company, had or deemed or taken to have an interest or short position in the shares or underlying shares of the Company that would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of ordinary shares/ underlying shares held	Approximate percentage of shareholding as at 30 June 2021 ⁽³⁾
Substantial shareholder			
Zall Development Investment	Beneficial owner	6,609,022,268 (L) ⁽¹⁾	56.09%
Other persons			
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation	685,689,000 (L) ⁽²⁾	5.82%
Huarong Huaqiao Asset Management Co., Ltd.	Interest of controlled corporation	685,689,000 (L) ⁽²⁾	5.82%

(L) represents long position

Disclosure of Other Information (continued)

Notes:

- (1) Zall Development Investment is a company 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 2021 which was 11,782,825,800.

There was a duplication of interest of 6,609,022,268 shares between Mr. Yan Zhi and Zall Development Investment.

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

Save as disclosed above, as at 30 June 2021, 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 PRACTISE

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules as its corporate governance code of practises. 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.

Disclosure of Other Information (continued)

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 2021, 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. As satisfiable profit and cash flow could be generated from this project, the Group has hold back the project and sold part of it based on the market circumstances. As at 30 June 2021, approximately 118,000 square metres were sold and the project was substantially completed. The completion certificate by phases is in progress.

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

REVIEW OF THE INTERIM REPORT

The interim financial report for the six months ended 30 June 2021 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 the Group’s unaudited condensed consolidated interim results and financial report for the six months ended 30 June 2021 and has also reviewed and confirmed the accounting principles and practises adopted by the Group and discussed the auditing, internal control 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 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. 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 the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

Disclosure of **Other Information (continued)**

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).

DIRECTORS

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

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

Hong Kong, 31 August 2021

Consolidated Statement of Profit or Loss

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

	Note	Six months ended 30 June	
		2021 RMB'000	2020 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
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

The notes on pages 34 to 76 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in notes 20(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Six months ended 30 June	
	2021 RMB'000	2020 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

The notes on pages 34 to 76 form part of this interim financial report.

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	10	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	11(a)	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	12	1,014,838	3,851,385
Inventories	13	5,778,850	4,531,012
Prepaid taxes		23,769	23,219
Trade and other receivables	14	10,187,080	12,605,216
Amounts due from related parties	24(c)	534,126	649,068
Pledged bank deposits	15	6,908,010	6,695,764
Cash and cash equivalents	16	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
Current liabilities			
Financial liabilities at fair value through profit or loss	12	188,180	155,959
Trade and other payables	17	11,540,666	12,961,264
Contract liabilities	11(b)	5,099,177	4,025,312
Lease liabilities		13,508	15,108
Amounts due to related parties	24(c)	158,719	138,717
Interest-bearing borrowings	18	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

Consolidated Statement of Financial Position (continued)

At 30 June 2021 — unaudited

(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current liabilities			
Interest-bearing borrowings	18	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	20	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

Approved and authorised for issue by the Board of Directors on 31 August 2021.

Yan Zhi

*Co-chairman, Executive Director and
Co-chief executive officer*

Qi Zhiping

*Executive Director and
Co-chief executive officer*

The notes on pages 34 to 76 form part of this interim financial report.

Consolidated Statement of Changes in Equity

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

	Attributable to equity shareholder of the Company												Total equity RMB'000
	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	
Balance at 1 January 2020	32,733	4,638,703	(248,635)	508,226	151,698	(140,480)	36,946	162,459	(2,848)	13,940,192	19,078,994	543,480	19,622,474
Changes in equity for the six months ended 30 June 2020													
Profit for the period	-	-	-	-	-	-	-	-	-	290,798	290,798	(9,735)	281,063
Other comprehensive income:													
Share of other comprehensive													
loss of an associate	-	-	-	-	-	(915)	-	-	-	-	(915)	-	(915)
Exchange differences on translation of													
financial statements of													
operations outside Mainland China	-	-	-	-	-	6,271	-	-	-	-	6,271	122	6,393
Total comprehensive income	-	-	-	-	-	5,356	-	-	-	290,798	296,154	(9,613)	286,541
Appropriation to statutory reserve	-	-	-	29,703	-	-	-	-	-	(29,703)	-	-	-
Equity-settled share-based payment													
for employee	-	-	-	-	(1,900)	-	-	6,110	-	-	4,210	1,900	6,110
Equity-settled share-based payment													
for non-employee	-	(126,339)	209,606	-	-	-	-	(80,681)	-	-	2,586	-	2,586
Capital injection from non-controlling													
interest of subsidiaries	-	-	-	-	49,684	-	-	-	-	-	49,684	316	50,000
Balance at 30 June 2020	32,733	4,512,364	(39,029)	537,929	199,482	(135,124)	36,946	87,888	(2,848)	14,201,287	19,431,628	536,083	19,967,711
Balance at 1 January 2021	32,733	4,512,318	(39,029)	535,551	234,066	(144,792)	36,946	53,700	(2,848)	12,651,484	17,870,129	464,327	18,334,456
Changes in equity for the six months ended 30 June 2021													
Profit for the period	-	-	-	-	-	-	-	-	-	30,865	30,865	1,537	32,402
Other comprehensive income:													
Share of other comprehensive													
income of an associate	-	-	-	-	-	917	-	-	-	-	917	-	917
Exchange differences on translation of													
financial statements of operations													
outside Mainland China	-	-	-	-	-	(6,568)	-	-	-	-	(6,568)	(105)	(6,673)
Total comprehensive income	-	-	-	-	-	(5,651)	-	-	-	30,865	25,214	1,432	26,646
Appropriation to statutory reserve	-	-	-	7,868	-	-	-	-	-	(7,868)	-	-	-
Equity-settled share-based payment													
for employee	-	-	-	-	(98)	-	-	315	-	-	217	98	315
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(6,955)	(6,955)
Capital injection from non-controlling													
interest of subsidiaries	-	-	-	-	1,616	-	-	-	-	-	1,616	1,635	3,251
Balance at 30 June 2021	32,733	4,512,318	(39,029)	543,419	235,584	(150,443)	36,946	54,015	(2,848)	12,674,481	17,897,176	460,537	18,357,713

The notes on pages 34 to 76 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

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

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Operating activities			
Cash generated/(used in) from operations		1,365,770	(1,358,115)
Income tax paid		(19,829)	(14,252)
Net cash generated/(used in) from operating activities		1,345,941	(1,372,367)
Investing activities			
Payment for the purchase of property, plant and equipment and investment properties		(41,863)	(65,068)
Payment for the purchase of intangible assets		(20,951)	(8,711)
Proceeds from disposal of property, plant and equipment		43	1,237
Proceeds from disposal of intangible assets		3,106	–
Interest received		128,729	30,874
Cash paid for acquisition of subsidiaries		(400)	(52,814)
Net proceeds from disposal of a subsidiary		26,385	24,574
Payment for investment in an associate		–	(10,000)
Payment for investment in joint ventures		(3,000)	(249)
Payment for investment in partnership enterprise		(1,050)	–
Cash received from disposal of joint ventures and associates		37,370	–
Cash receipt from maturity of wealth management products and trust products		2,819,305	1,798,378
Purchase of wealth management products and trust products		(112,417)	(2,394,227)
Cash receipt from settlement of forward contracts		–	5,041
Payment for the purchase of forward contracts		–	(12,779)
Payment for acquisition of non-controlling interest of a subsidiary		(28,800)	–
Advance to related parties		(286,461)	(613,526)
Repayment from related parties		408,203	925,833
Net cash generated from/(used in) investing activities		2,928,199	(371,437)

Condensed Consolidated Cash Flow Statement (continued)

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

	Note	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Financing activities			
Advance from related parties		68,971	22,198
Repayment to related parties		(48,969)	(258,594)
Proceeds from new bank loans and loans from other financial institutions		4,515,424	11,058,851
Repayment of bank loans and loans from other financial institutions		(7,895,045)	(3,324,721)
Proceeds from other loans		1,959,241	1,995,196
Repayment of other loans		(2,505,458)	(4,444,120)
Increase in pledged bank deposits		(212,246)	(2,885,075)
Interest and other borrowing costs paid		(494,596)	(528,203)
Proceeds from capital injection from non-controlling interests		3,251	50,000
Capital element of lease rentals paid		(12,429)	(7,897)
Interest element of lease rentals paid		(717)	(232)
Net cash (used in)/generated from financing activities		(4,622,573)	1,677,403
Net decrease in cash and cash equivalents		(348,433)	(66,401)
Cash and cash equivalents at 1 January	16	1,184,708	1,243,944
Effect of foreign exchange rate changes		(328)	1,770
Cash and cash equivalents at 30 June	16	835,947	1,179,313

The notes on pages 34 to 76 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION *(Continued)*

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

- the Group is working on generating positive operating cash flows 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 18, 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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	Six months ended 30 June	
	2021 RMB'000	2020 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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

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

As at 30 June 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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment results, assets and liabilities

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

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

	Property development and related services		Supply chain management and trading		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 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
Over time	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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	Six months ended 30 June	
	2021 RMB'000	2020 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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(iii) Geographic information

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

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June 2021 RMB'000	Six months ended 30 June 2020 RMB'000	30 June 2021 RMB'000	31 December 2020 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).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

4 OTHER NET INCOME

	Six months ended 30 June	
	2021 RMB'000	2020 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 RMB'000	2020 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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

5 PROFIT BEFORE TAXATION (Continued)

(b) Staff costs

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
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 RMB'000	2020 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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX (Continued)

- (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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of 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 18).

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 RMB'000	COVID-19 rent concessions RMB'000	Total payments RMB'000
Office premises and warehouses	13,664	–	13,664

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

	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 18).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

10 GOODWILL

	RMB'000
Cost:	
At 1 January 2020	1,709,992
Additions through business combination	60,967
At 31 December 2020 and 1 January 2021	1,770,959
Additions through business combination	426
At 30 June 2021	1,771,385
Accumulated impairment losses:	
At 1 January 2020	(719,355)
Impairment loss recognised	(199,437)
At 31 December 2020 and 1 January 2021	(918,792)
Impairment loss recognised	–
At 30 June 2021	(918,792)
Carrying amount:	
At 31 December 2020	852,167
At 30 June 2021	852,593

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

11 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	30 June 2021 RMB'000	31 December 2020 RMB'000
Contract assets		
Arising from performance under construction contracts	346,608	342,145
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (note 14)	1,441,932	1,383,937

The amount of contract assets that is expected to be recovered after more than one year is RMB346,608,000 as at 30 June 2021 (31 December 2020: RMB342,145,000).

(b) Contract liabilities

	30 June 2021 RMB'000	31 December 2020 RMB'000
Property development and related services		
— Forward sales deposits and instalments received	265,658	299,000
Supply chain management and trading		
— Deposits received from third parties	4,587,982	3,592,757
— Deposits received from related parties	2,856	15,743
Others		
— Deposits received	242,681	117,812
	5,099,177	4,025,312

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
Financial assets at fair value through profit or loss		
Listed equity securities in Hong Kong		
— Fullshare Holdings Limited	65,400	94,502
Derivative financial instrument		
— Wealth management products and trust products (i)	717,157	3,406,573
— Forward contracts	203,392	177,459
Contingent consideration		
— acquisition of Shenzhen Sinoagri E-commerce Co., Ltd. ("Shenzhen Sinoagri") (ii)	28,889	172,851
	1,014,838	3,851,385
Financial liabilities at fair value through profit or loss		
Forward contracts	188,180	155,959

(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 RMB607,723,000 (31 December 2020: RMB2,803,162,000) and RMB44,960,000 (31 December 2020: RMB518,321,000) were pledged as collateral for the Group's bills payables and interest-bearing borrowings, respectively (note 17 and 18).

(ii) The amount represents the contingent consideration of acquisition of Shenzhen Sinoagri amounting to RMB28,889,000 as at 30 June 2021 (31 December 2020: RMB172,851,000). The amount is generated as a result of part of the consideration of the acquisition which depends on the post-acquisition financial performance of Shenzhen Sinoagri.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

13 INVENTORIES

	30 June 2021 RMB'000	31 December 2020 RMB'000
Properties under development for sale	2,795,157	2,576,541
Completed properties held for sale	976,419	1,052,632
Commodities	2,007,274	901,839
	5,778,850	4,531,012

As at 30 June 2021, properties under development for sale with an aggregate carrying value of RMB548,785,000 (31 December 2020: RMB278,058,000) and completed properties held for sale with an aggregate carrying value of RMB211,589,000 (31 December 2020: RMB111,893,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

14 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 18).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis of trade debtors and bill receivables

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

	30 June 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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

14 TRADE AND OTHER RECEIVABLES (Continued)

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

Ageing analysis

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

	30 June 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.

15 PLEDGED BANK DEPOSITS

	Note	30 June 2021 RMB'000	31 December 2020 RMB'000
Secured for bank loans	18	2,231,520	2,073,966
Secured for letter of credit and bills payables	17	4,675,678	4,590,284
Others		812	31,514
		6,908,010	6,695,764

16 CASH AND CASH EQUIVALENTS

	30 June 2021 RMB'000	31 December 2020 RMB'000
Cash at bank and on hand	835,947	1,184,708

At 30 June 2021, cash and cash equivalents and pledged bank deposits with aggregate amount of RMB7,687,030,000 (31 December 2020: RMB7,848,563,000) were placed with banks in Mainland China. Remittance of funds out of Mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

17 TRADE AND OTHER PAYABLES

	30 June 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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

18 INTEREST-BEARING BORROWINGS

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

	Note	30 June 2021 RMB'000	31 December 2020 RMB'000
Current			
Bank loans and loans from other financial institutions	18(a)	9,035,417	9,905,135
Other loans	18(b)	152,563	1,103,563
Loans from an entity controlled by Ultimate Controlling Party	18(c)	20,000	20,000
Discounted bank acceptance bills	18(d)	1,695,795	4,379,859
		10,903,775	15,408,557
Non-current			
Bank loans and loans from other financial institutions	18(a)	1,301,526	1,155,365
Other loans	18(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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

18 INTEREST-BEARING BORROWINGS (Continued)

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

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

	30 June 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	15	2,231,520	2,073,966
Trade receivables	14	25,755	24,739
Other receivables	14	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	13	548,785	278,058
Completed properties held for sale	13	211,589	111,893
Property, plant and equipment	9	115,084	115,898
Wealth management products and trust products	12	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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

18 INTEREST-BEARING BORROWINGS (Continued)

(b) Other loans

At 30 June 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% per annum).

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS

(a) 2017 Share Option Scheme

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

The terms and conditions of the grants are as follows:

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(a) 2017 Share Option Scheme (Continued)

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

	Six months ended 30 June			
	2021		2020	
	weighted average exercise price	number of options	weighted average exercise price	number of options
Outstanding at the beginning/end of the period	HKD8.48	45,667,950	HKD8.48	45,667,950
Exercisable at the end of the period	HKD8.48	15,547,407	HKD8.48	15,547,407

As at 30 June 2021, the remaining contractual life of share option scheme is 6.5 years (31 December 2020: 7 years).

Fair value of share options and assumptions:

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

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

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

For the six months ended 30 June 2021, the total expense recognised in the consolidated statement of profit or loss for share options granted to the recipients is RMB227,000 (six months ended 30 June 2020: RMB4,385,000).

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(b) Management Share Award Scheme

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

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

The awarded shares granted were issued on 22 December 2017 and movements in the number of shares held for Management Shares for the six month ended 30 June 2021 are as follows:

	Six months ended 30 June	
	2021	2020
Number of Management Shares granted but not yet vested at the beginning of the period	5,315,390	5,315,390
Vested during the period	–	–
Number of Management Shares granted but not yet vested at the end of the period	5,315,390	5,315,390

The total fair value of the awarded shares amounted to RMB59,175,000. The estimated fair value of the award shares on the grant date is determined by reference to the market price of the Company's shares at that date. The Group recognised share based payment expenses of RMB88,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB1,715,000) with a corresponding increase in equity-settled share-based payment reserve within equity.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(c) 2018 Share Option Scheme

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

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

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

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

	Six months ended 30 June			
	2021		2020	
	weighted average exercise price HKD	number of options	weighted average exercise price HKD	number of options
Outstanding at the beginning of the period	6.66	16,160,000	6.66	31,220,000
Lapsed during the period	6.66	(16,160,000)	6.66	(13,740,000)
Outstanding at the end of the period	6.66	–	6.66	17,480,000
Exercisable at the end of the period	6.66	–	6.66	–

As at 30 June 2021, all share options had lapsed. The weighted average remaining expected contractual life of share option scheme is 1.25 years as at 31 December 2020.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

(c) 2018 Share Option Scheme (Continued)

Fair value of share options and assumptions:

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

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

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

No expense was recognised in the consolidated statement of profit or loss for the six months ended of 30 June 2021 and 2020 as performance condition was not satisfied.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

20 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Capital management (Continued)

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

	30 June 2021 RMB'000	31 December 2020 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%

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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

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

	Fair value at 30 June 2021 RMB'000	Fair value measurement as at 30 June 2021 categorised into			Fair value at 31 December 2020 RMB'000	Fair value measurement as at 31 December 2020 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement								
Assets:								
— Listed equity securities	65,400	65,400	-	-	94,502	94,502	-	-
— Wealth management products and trust products	717,157	-	717,157	-	3,406,573	-	3,406,573	-
— Forward contracts	203,392	20,537	182,855	-	177,459	26,824	150,635	-
— Contingent consideration	28,889	-	-	28,889	172,851	-	-	172,851
— Equity investments at fair value through other comprehensive income	8,702	-	8,702	-	8,702	-	8,702	-
Liabilities:								
— Forward contracts	188,180	-	188,180	-	155,959	-	155,959	-

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2020: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

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

(iii) Information about level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Input value
Contingent consideration for acquisition of Shenzhen Sinoagri	Probabilistic method	Occurrence probability of financial forecasts, financial forecast	80% (base case); 10% (bull and bear cases)
Contingent consideration for acquisition of HSH	Probabilistic method	Occurrence probability of financial forecasts, financial forecast	70% (Base case); 20% (bull case); 10% (bear case)
Convertible redeemable preference shares	Option-pricing model	Financial forecasts	Not applicable

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

	30 June 2021 RMB'000	30 June 2020 RMB'000
Contingent consideration		
Balance at 1 January	172,851	188,730
Net change in fair value	(50,857)	(9,034)
Settlement	(93,105)	–
Balance at 30 June	28,889	179,696

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(iii) Information about level 3 fair value measurements (Continued)

Convertible redeemable preference shares of a subsidiary	30 June 2021 RMB'000	30 June 2020 RMB'000
Balance at 1 January	–	19,273
Exchange difference	–	277
Net change in fair value	–	(315)
Balance at 30 June	–	19,235

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair value as at 30 June 2021 and 31 December 2020.

22 COMMITMENTS

As at 30 June 2021, the Group's capital commitments in respect of investment properties under development and properties under development are as follows:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Contracted but not provided for		
— Investment properties under development	73,418	95,419
— Properties under development	1,516,039	1,493,148
	1,589,457	1,588,567

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

23 CONTINGENT LIABILITIES

	30 June 2021 RMB'000	31 December 2020 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (i)	328,931	386,989
Guarantees given to a financial institution for interest-bearing borrowings of an entity which is 20% indirectly held by Ultimate Controlling Party	–	179,220
Other financial guarantee	180,000	7,209
Total maximum guarantees issued	508,931	573,418

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

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS

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

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

(a) Transactions with key management personnel

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Wages, salaries and other benefits	7,967	8,307
Contributions to defined benefit retirement scheme	229	114
Equity-settled share-based payment expenses	315	610
	8,511	9,031

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

(b) Other transactions with related parties

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
(i) Advances from related parties		
— Associates	14,210	1,954
— Immediate Parent	32,322	—
— Entities controlled by Ultimate Controlling Party	20,324	—
— Key management personnel	2,114	—

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties (Continued)

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
(ii) Repayment to related parties		
— Associates	15,210	33,615
— A joint venture	12,963	—
— Entities controlled by Ultimate Controlling Party	59	41,265
— Immediate Parent	18,922	180,472
— Key management personnel	617	—

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
(iii) Advances to related parties		
— Associates	154,888	89,402
— Joint ventures	112,477	523,729
— Entities controlled by Ultimate Controlling Party	237	295
— Key management personnel	6,225	—
— Non-controlling interests of subsidiaries	6,851	—

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
(iv) Repayment from related parties		
— Associates	139,898	341,239
— Joint ventures	123,344	582,851
— Non-controlling interests of subsidiaries	51	—
— Entities controlled by Ultimate Controlling Party	121,079	1,616
— Key management personnel	662	—
— Entities controlled by non-controlling interests of subsidiaries	29,827	—

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
(v) Rental income		
— Entities controlled by Ultimate Controlling Party	2,881	21,302

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties (Continued)

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
(vi) Place deposits in — a bank significantly influenced by Ultimate Controlling Party	13,456,839	10,802,744

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
(vii) Withdraw deposits from — a bank significantly influenced by Ultimate Controlling Party	13,548,766	10,804,783

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
(viii) Sales of commodities to related parties		
— Associates	34,459	131,456
— Non-controlling interests of subsidiaries	–	2,460
— An entity controlled by non-controlling interests of subsidiaries	–	2,825

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
(ix) Purchase of commodities from related parties		
— Associates	104,593	77,322
— Joint ventures	2,113	–
— Entities controlled by non-controlling interests of subsidiaries	–	12,566
— Non-controlling interests of subsidiaries	1,039	–

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balance with related parties

	30 June 2021 RMB'000	31 December 2020 RMB'000
Factoring receivables		
— an associate	77	157

	30 June 2021 RMB'000	31 December 2020 RMB'000
Loans to		
— an associate	8	24,712

Loans to an associate are secured by agriculture products and bear interest of 6.7% per annum as at 30 June 2021 (31 December 2020: 8.4% per annum).

	30 June 2021 RMB'000	31 December 2020 RMB'000
Trade prepayment to		
— associates	11,646	45,643
— entities controlled by non-controlling interests of subsidiaries	5,000	5,000
	16,646	50,643

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balance with related parties (Continued)

	30 June 2021 RMB'000	31 December 2020 RMB'000
Amounts due from related parties		
— associates	430,706	415,920
— joint ventures	64,762	75,630
— entities controlled by Ultimate Controlling Party	1,999	122,795
— key management personnel	9,759	4,896
— Ultimate Controlling Party	100	–
— non-controlling interests of subsidiaries	26,800	–
— entities controlled by non-controlling interests of subsidiaries	–	29,827
	534,126	649,068

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

Amounts due from an associate of RMB370,042,000 as at 30 June 2021 (31 December 2020: RMB339,194,000) bear interest of 8.4% per annum (31 December 2020: 8.4% per annum). Amounts due from a joint venture of RMB53,100,000 as at 30 June 2021 (31 December 2020: RMB28,940,000) bear interest of 5.4% per annum (31 December 2020: 5.4% per annum). All the other amounts due from related parties as at 30 June 2021 and 31 December 2020 were interest free.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balance with related parties (Continued)

	30 June 2021 RMB'000	31 December 2020 RMB'000
Deposits in		
— a bank significantly influenced by Ultimate Controlling Party	38,247	130,174
	30 June 2021 RMB'000	31 December 2020 RMB'000
Contract liabilities — Trade of commodities		
— an associate	2,856	743
— non-controlling interests of subsidiaries	—	15,000
	2,856	15,743
	30 June 2021 RMB'000	31 December 2020 RMB'000
Interest-bearing borrowings		
— an entity controlled by Ultimate Controlling Party (note 18 (c))	20,000	20,000
	20,000	20,000

Loans from an entity controlled by Ultimate Controlling Party are unsecured and bear interest of 5.00% per annum as at 30 June 2021.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

24 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balance with related parties (Continued)

	30 June 2021 RMB'000	31 December 2020 RMB'000
Amounts due to related parties		
— associates	17,679	18,658
— a joint venture	–	12,963
— non-controlling interests of subsidiaries	26	26
— entities controlled by Ultimate Controlling Party	57,095	37,308
— key management personnel	1,751	253
— Ultimate Controlling Party	3,900	3,900
— Immediate Parent	78,268	65,609
	158,719	138,717

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
Interest-bearing borrowings guaranteed by		
— entities controlled by Ultimate Controlling Party	10,000	350,000
— an associate	30,000	30,000
	40,000	380,000

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

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

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

25 DISPOSAL OF SUBSIDIARIES

Disposal of 86% equity interest of Wuhan Zall Digital Media Technology Co., Limited* (武漢卓爾數字傳媒科技有限公司) (“Zall Digital Media”)

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 Zall Digital Media held by the Seller at the consideration of RMB60,034,300.

The disposal of 86% equity interest of Zall Digital Media was completed in May 2021. The Group recognised a net gain of approximately RMB3,449,000 on the disposal, which is calculated as follows:

	RMB'000
Net assets disposed	(56,585)
Consideration, satisfied in cash	60,034
Gain on disposal of a subsidiary	3,449

An analysis of the net inflow of cash and cash equivalents in respect of the above disposal of the equity interests is as follows:

	RMB'000
Cash and cash equivalents acquired	60,034
Cash and cash equivalents disposed of	(33,649)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	26,385

* For identification purpose only

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

26 NON-ADJUSTING EVENTS AFTER THE 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 report, 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.