ZALL 卓尔智联

Zall Smart Commerce Group Ltd.

卓 爾 智 聯 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of Zall Smart Commerce Group Ltd. (the "**Company**" or "**Zall Smart**") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 together with the comparative figures extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2020 as follows:

UNAUDITED FINANCIAL HIGHLIGHTS

For the year ended 31 December 2021
(Expressed in Renminbi)

	2021 ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Audited)
Revenue	**104,564,184**	72,769,426
Gross profit	**898,126**	1,233,731
Gross profit margin	**0.86%**	1.7%
Loss for the year	**(1,261,434)**	(1,349,238)
Loss per share — Basic (RMB cents)	**(9.77)**	(10.71)
— Diluted (RMB cents)	**(9.77)**	(10.71)
Total non-current assets	**26,114,910**	32,543,379
Total current assets	**33,165,173**	29,584,551
Total assets	**59,280,083**	62,127,930
Total non-current liabilities	**8,868,325**	10,540,652
Total current liabilities	**33,628,123**	33,252,822
Total liabilities	**42,496,448**	43,793,474
Net assets	**16,783,635**	18,334,456

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021
(Expressed in Renminbi)

	Note	2021	2020
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*3(a)*	**104,564,184**	72,769,426
Cost of sales		**(103,666,058)**	(71,535,695)
Gross profit		**898,126**	1,233,731
Other net income	*4*	**194,330**	248,692
Selling and distribution expenses		**(252,051)**	(169,145)
Administrative and other expenses		**(546,489)**	(621,362)
Impairment loss on trade and other receivables		**(291,888)**	(440,621)
Impairment loss on intangible assets		**(61,738)**	(126,484)
Impairment loss on goodwill		**(333,994)**	(199,437)
Net valuation loss on investment properties		**(240,711)**	(420,879)
Loss from operations		**(634,415)**	(495,505)
Finance income	*5(a)*	**223,277**	248,040
Finance costs	*5(a)*	**(1,037,033)**	(1,294,190)
Share of net profits of associates		**30,056**	30,445
Share of net losses of joint ventures		**(2,004)**	(2,458)
Reversal of impairment loss on investment in an associate		**–**	14,973
Loss before taxation	*5*	**(1,420,119)**	(1,498,695)
Income tax credit	*6(a)*	**158,685**	149,457
Loss for the year		**(1,261,434)**	(1,349,238)
Attributable to:			
Equity shareholders of the Company		**(1,150,466)**	(1,260,450)
Non-controlling interests		**(110,968)**	(88,788)
Loss for the year		**(1,261,434)**	(1,349,238)
Loss per share (RMB cents)			
Basic	*7*	**(9.77)**	(10.71)
Diluted	*7*	**(9.77)**	(10.71)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021
(Expressed in Renminbi)

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loss for the year	**(1,261,434)**	(1,349,238)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of an associate	**(9,614)**	5,532
Exchange differences on translation of:		
— financial statements of operations outside the Mainland China	**(48,670)**	(9,580)
Other comprehensive income for the year	**(58,284)**	(4,048)
Total comprehensive income for the year	**(1,319,718)**	(1,353,286)
Attributable to:		
Equity shareholders of the Company	**(1,205,049)**	(1,264,762)
Non-controlling interests	**(114,669)**	(88,524)
Total comprehensive income for the year	**(1,319,718)**	(1,353,286)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021
(Expressed in Renminbi)

	Note	**2021**	2020
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Non-current assets			
Investment properties		**24,180,965**	29,502,397
Property, plant and equipment		**278,895**	435,766
Intangible assets		**467,625**	550,401
Goodwill		**518,581**	852,167
Interests in associates		**213,527**	505,415
Interests in joint ventures		**19,848**	23,570
Equity investment at fair value through other comprehensive income		**–**	8,702
Contract assets		**30,060**	342,145
Deferred tax assets		**405,409**	322,816
		26,114,910	32,543,379
Current assets			
Financial assets at fair value through profit or loss		**1,455,896**	3,851,385
Inventories		**3,803,923**	4,531,012
Prepaid taxes		**28,730**	23,219
Trade and other receivables	*9*	**11,563,756**	12,605,216
Amounts due from related parties		**488,569**	649,068
Pledged bank deposits		**9,045,655**	6,695,764
Cash and cash equivalents		**1,095,766**	1,184,708
		27,482,295	29,540,372
Non-current assets held for sale	*10*	**5,682,878**	44,179
		33,165,173	29,584,551

	Note	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Current liabilities			
Financial liabilities at fair value through profit or loss		**95,149**	155,959
Trade and other payables	*11*	**13,834,426**	12,961,264
Contract liabilities		**3,279,466**	4,025,312
Lease liabilities		**14,307**	15,108
Amounts due to related parties		**178,286**	138,717
Interest-bearing borrowings		**13,320,148**	15,408,557
Current taxation		**501,574**	547,905
		31,223,356	33,252,822
Liabilities associated with non-current assets held for sale	*10*	**2,404,767**	–
		33,628,123	33,252,822
Net current liabilities		**(462,950)**	(3,668,271)
Total assets less current liabilities		**25,651,960**	28,875,108
Non-current liabilities			
Interest-bearing borrowings		**4,389,227**	5,271,025
Deferred income		**8,309**	9,073
Lease liabilities		**6,224**	19,870
Deferred tax liabilities		**4,464,565**	5,240,684
		8,868,325	10,540,652
NET ASSETS		**16,783,635**	18,334,456
CAPITAL AND RESERVES			
Share capital	*12*	**32,733**	32,733
Reserves		**16,345,297**	17,837,396
Total equity attributable to equity shareholders of the Company		**16,378,030**	17,870,129
Non-controlling interests		**405,605**	464,327
TOTAL EQUITY		**16,783,635**	18,334,456

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement and going concern assumption

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

— equity investments at fair value through other comprehensive income and financial assets at fair value through profit or loss;

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

— derivative financial instruments; and

— contingent considerations recognised in business combinations.

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

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

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

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

As at 31 December 2021, the Group had net current liabilities of approximately RMB462,950,000 (unaudited) and incurred net loss of approximately RMB1,261,434,000 (unaudited) for the year then ended. 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.

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 expects to generate 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 plans to dispose of non-core businesses and assets to raise additional capital.

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 unaudited consolidated financial statements have been prepared on a going concern basis. The unaudited consolidated financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern.

2 ADOPTION OF NEW AND AMENDED STANDARDS

The Group has applied the following standards and amendments that are first effective for the current accounting period. The following developments are relevant to the Group's unaudited consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopt)

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform — phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**"). The amendments do not have an impact on these financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021

Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months.

Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. The amendment did not have a significant impact on the financial position and performance of the Group.

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 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 service lines is as follows:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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	**261,842**	404,674
— Revenue from supply chain management and trading business	**103,619,201**	71,443,714
— Revenue from construction contracts	**12,205**	2,757
— Others	**44,628**	34,202
	103,937,876	71,885,347
Revenue from other sources		
Gross rentals from investment properties		
— Lease payments that are fixed	**500,668**	718,881
Financing income	**83,303**	100,641
Others	**42,337**	64,557
	104,564,184	72,769,426

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

The Group's customer base is diversified and the Group does not have any single customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2021 (2020: Nil).

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

As at 31 December 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately RMB242,900,000 (unaudited) (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 (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 mixture of business lines (product and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

— 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., also provides trading related supply chain finance services.

(i) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and joint ventures, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals, bills payable and lease liabilities attributable to the sales activities of the individual segments and bank borrowings managed directly by the segments.

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

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

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

Disaggregation of revenue from contracts with customers by the 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 years ended 31 December 2021 and 2020 is set out below.

	Property development and related services		**Supply chain management and trading**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Disaggregation by timing of revenue recognition						
Point in time	**154,998**	324,636	**103,421,909**	71,292,441	**103,576,907**	71,617,077
Over time	**662,053**	866,233	**280,595**	251,914	**942,648**	1,118,147
Revenue from external customers	**817,051**	1,190,869	**103,702,504**	71,544,355	**104,519,555**	72,735,224
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**817,051**	1,190,869	**103,702,504**	71,544,355	**104,519,555**	72,735,224
Reportable segment profit/(loss)	**151,091**	303,141	**(299,364)**	(295,087)	**(148,273)**	8,054
Net valuation (loss)/gain on investment properties	**(240,711)**	(420,879)	**–**	–	**(240,711)**	(420,879)
Finance income	**2,338**	1,406	**294,869**	246,621	**297,207**	248,027
Finance costs	**(697,591)**	(841,798)	**(403,702)**	(449,841)	**(1,101,293)**	(1,291,639)
Impairment of intangible assets	**–**	–	**(61,738)**	(126,484)	**(61,738)**	(126,484)
Impairment of goodwill	**–**	–	**(321,821)**	(199,437)	**(321,821)**	(199,437)
Depreciation and amortisation	**(20,791)**	(18,223)	**(66,610)**	(48,644)	**(87,401)**	(66,867)
Share of net losses of associates	**–**	–	**(858)**	(5,341)	**(858)**	(5,341)
Share of net losses of joint ventures	**–**	–	**(2,004)**	(2,458)	**(2,004)**	(2,458)
Reportable segment assets	**32,076,290**	36,024,988	**21,278,898**	24,283,306	**53,355,188**	60,308,294
Additions to non-current segment assets during the year	**33,917**	19,894	**73,603**	100,319	**107,520**	120,213
Reportable segment liabilities	**10,613,207**	10,431,872	**18,888,854**	23,709,951	**29,502,061**	34,141,823

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

Revenue

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment revenue	**104,519,555**	72,735,224
Other revenue	**44,629**	34,202
Consolidated revenue *(note 3(a))*	**104,564,184**	72,769,426

(Loss)/profit

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment (loss)/profit derived from the Group's external customers	**(148,273)**	8,054
Other net income	**194,330**	248,692
Net valuation loss on investment properties	**(240,711)**	(420,879)
Finance income	**223,277**	248,040
Finance costs	**(1,037,033)**	(1,294,190)
Share of net profits of associates	**30,056**	30,445
Share of net losses of joint ventures	**(2,004)**	(2,458)
Reversal of impairment loss on investment in an associate	**–**	14,973
Impairment of goodwill	**(12,173)**	–
Unallocated head office and corporate expenses	**(427,588)**	(331,372)
Consolidated loss before taxation	**(1,420,119)**	(1,498,695)

Assets

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment assets	**53,355,188**	60,308,294
Elimination of inter-segment receivables	**(1,944,868)**	(784,339)
	51,410,320	59,523,955
Interests in associates	**213,527**	505,415
Interests in joint ventures	**19,848**	23,570
Deferred tax assets	**405,409**	322,816
Prepaid taxes	**28,730**	23,219
Non-current assets held for sale	**5,682,878**	44,179
Unallocated head office and corporate assets	**1,519,371**	1,684,776
Consolidated total assets	**59,280,083**	62,127,930

Liabilities

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment liabilities	**29,502,061**	34,141,823
Elimination of inter-segment payables	**(1,944,868)**	(784,339)
	27,557,193	33,357,484
Current taxation	**501,574**	547,905
Deferred tax liabilities	**4,464,565**	5,240,684
Liabilities associated to non-current assets classified as assets held for sale	**2,404,767**	–
Unallocated head office and corporate liabilities	**7,568,349**	4,647,401
Consolidated total liabilities	**42,496,448**	43,793,474

(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 were 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**	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
PRC	**100,311,253**	66,240,652	**25,672,711**	31,858,539
Singapore	**4,245,014**	6,000,134	**6,730**	11,177
Others	**7,917**	528,640	**–**	–
	104,564,184	72,769,426	**25,679,441**	31,869,716

The analysis above includes property rental income from external customers in the Mainland China of approximately RMB543,005,000 (unaudited) (2020: RMB783,438,000).

4 OTHER NET INCOME

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net fair value changes on financial instruments at fair value through profit or loss		
— listed equity securities	**(39,779)**	5,102
— wealth management products and trust products	**75,805**	155,464
— forward contracts	**15,302**	(7,520)
— derivative financial instruments	**330**	–
— contingent consideration	**(54,746)**	(14,131)
— convertible redeemable preference shares of a subsidiary	**–**	13,617
Net gain on the dilution of interests in associates	**–**	1,371
Government subsidies	**36,738**	61,378
Net gain on disposal of subsidiaries	**142,944**	23,917
Net gain on disposal of an associate	**28,476**	–
Others	**(10,740)**	9,494
	194,330	248,692

5 LOSS BEFORE TAXATION

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

(a) Finance (income)/costs

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Finance income		
Interest income	**(223,277)**	(248,040)
Finance costs		
Interest on interest-bearing borrowings	**754,320**	988,281
Interest on lease liabilities	**1,021**	1,144
Other borrowing costs	**8,746**	17,295
Less: amounts capitalised into properties under development and investment properties under development*	**(31,138)**	(56,325)
	732,949	950,395
Bank charges and others	**297,119**	318,711
Net foreign exchange loss	**6,965**	25,084
	1,037,033	1,294,190

* The borrowing costs have been capitalised at a range from 5.00%–11.83% (unaudited) per annum for the year ended 31 December 2020 (2020: 5.23%–12.20%).

(b) Staff costs

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Salaries, wages and other benefits	**322,510**	305,711
Contributions to defined contribution retirement plan	**14,260**	13,046
Equity-settled share-based payment expenses	**–**	(28,078)
	336,770	290,679

(c) Other items

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Amortisation		
— intangible assets	**46,098**	54,785
Depreciation		
— owned property, plant and equipment	**30,818**	35,658
— right-of-use assets	**15,192**	16,207
Auditors' remuneration		
— audit services	**4,200**	5,200
Research and development costs (other than amortisation costs)	**36,943**	57,409
Cost of construction contracts	**12,226**	2,757
Cost of commodities sold	**103,351,307**	71,176,257
Cost of properties sold	**145,123**	216,634

6 INCOME TAX CREDIT

(a) Taxation in the unaudited consolidated statement of profit or loss represents:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax		
PRC Corporate Income Tax ("**PRC CIT**")	**48,544**	59,043
PRC Land Appreciate Tax ("**PRC LAT**")	**14,166**	5,854
	62,710	64,897
Deferred tax		
Origination and reversal of temporary differences	**(221,395)**	(214,354)
	(158,685)	(149,457)

(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 years ended 31 December 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 year ended 31 December 2021 (2020: 15%), and two subsidiaries of the Group, Guangxi Sugar Market Network Co., Ltd. and Guangxi Brave Block Trading Market Co., Ltd., are subject to PRC CIT at a preferential tax rate of 9% for the year ended 31 December 2021 (2020: 9%). 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 year ended 31 December 2021 (2020: 15%). 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 year ended 31 December 2021 (2020: 25%) under the PRC Corporate Income Tax Law which was enacted on 16 March 2007.

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

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

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

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

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

7 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB1,150,466,000 (unaudited) (2020: RMB1,260,450,000) and the weighted average of approximately 11,777,510,000 (unaudited) ordinary shares (2020: 11,766,253,000) in issue during the year, calculated as follows:

Weighted average number of ordinary shares (basic)

	2021	2020
	'000	*'000*
Issued ordinary shares at 1 January	**11,782,826**	11,782,826
Effect of shares issued under Management Shares Award Scheme but not yet vested	**(5,316)**	(31,104)
Effect of vested VKC Consultancy Service Consideration Shares	**–**	14,531
Weighted average number of ordinary shares at 31 December	**11,777,510**	11,766,253

(b) Diluted loss per share

There were no dilutive ordinary shares issued for the years ended 31 December 2021 and 2020, and therefore, diluted losses per share is the same as the basic loss per share for the year.

8 DIVIDENDS

The directors of the Company do not recommend payment of any dividend for the year ended 31 December 2021 (2020: Nil).

9 TRADE AND OTHER RECEIVABLES

	Notes	**2021** **RMB'000** **(Unaudited)**	2020 *RMB'000* (Audited)
Trade debtors and bills receivables, net of loss allowance	*9(a)*	**6,327,049**	5,951,018
Loans and factoring receivables, net of loss allowance	*9(b)*	**869,798**	1,602,380
		7,196,847	7,553,398
Advances to suppliers		**3,375,073**	3,526,630
Other receivables, deposits and prepayments		**991,836**	1,525,188
		11,563,756	12,605,216

All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

(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:

	2021 **RMB'000** **(Unaudited)**	2020 *RMB'000* (Audited)
Within 6 months	**6,133,717**	1,507,850
6 to 12 months	**80,337**	4,221,400
Over 12 months	**112,995**	221,768
	6,327,049	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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Secured loans receivable, net of loss allowance (i)	**623,448**	1,479,820
Unsecured loans receivable, net of loss allowance	**140,083**	39,386
Factoring receivables, net of loss allowance	**106,267**	83,174
	869,798	1,602,380

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

Ageing analysis

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**869,798**	1,317,522
6 to 12 months	**–**	34,990
Over 12 months	**–**	249,868
	869,798	1,602,380

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

10 ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS ASSETS HELD FOR SALE

During the year ended 31 December 2021, management of the Company intended to dispose two groups of subsidiaries whose principal assets were investment properties in Tianjin and Jingzhou in the PRC. As of the end of the reporting period, the board of directors has identified potential buyers and entered into letters of intent on disposal of equity interests with these potential buyers. The directors of the Company considered that the disposal of two groups of subsidiaries was highly probable as at 31 December 2021 and could be completed within one year. The Group has received deposits from these potential buyers of approximately RMB1,647,000,000 (unaudited) during the year ended 31 December 2021.

The assets and liabilities relating to these disposal groups under the property development and related services segment have been classified as non-current assets held for sale and liabilities associated with non-current assets held for sale, respectively in the unaudited consolidated statement of financial position. The disposal does not constitute a discontinued operation as it does not represent a major line of business or geographical area of operation.

No impairment loss was recognised as the directors of the Company expected that the fair value less cost to sell is not less than the carrying amount of the disposal groups.

11 TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and bills payables (i)	**9,580,162**	9,809,418
Receipts in advance (ii)	**257,886**	238,000
Other payables and accruals	**3,996,378**	2,913,846
	13,834,426	12,961,264

All the other trade and other payables are expected to be settled within one year or repayable on demand.

(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:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**3,327,672**	3,464,900
Over 6 months but within 12 months	**5,190,285**	5,408,737
Over 12 months	**1,062,205**	935,781
	9,580,162	9,809,418

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

12 SHARE CAPITAL

	2021		2020	
	Number of shares	**Amount**	Number of shares	Amount
	('000)	***HKD'000***	*('000)*	*HKD'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Authorised:				
Ordinary shares of HKD0.00333̇ each	**24,000,000**	**80,000**	24,000,000	80,000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**11,782,826**	**39,275**	11,782,826	39,275

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

13 EVENTS AFTER THE REPORTING PERIOD AND EFFECT OF THE COVID-19 PANDEMIC

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

(ii) On 15 February 2022, Wuhan North Hankou Trade Market Investment Co., Ltd (武漢漢口北商貿市場投資有限公司) and Zall Investment Group Co., Ltd. (卓爾投資集團有限公司) (collectively the "**Lessors**"), both being wholly-owned subsidiary of the Company, as lessors, and Jiangsu Eastide and Wuhand Dequn Business Management Co., Ltd. (武漢德群商業管理有限公司) ("**Wuhan Dequn**") entered into a termination agreement (the "**Termination Agreement**") pursuant to which the Lessors and Wuhan Dequn agreed to terminate the lease agreement dated 11 September 2017 (as amended by the transfer agreement dated 17 December 2020 (the "**Lease Agreement**") effective from 15 February 2022.

Pursuant to the Termination Agreement, Wuhan Dequn has surrendered the tenancy under the Lease Agreement and has settled all the relevant outstanding fee, including but not limited to the management fee, utility fee and garbage disposal fee, for the leased premises up to and including 14 February 2022. The Lessors have granted to Wuhan Dequn a waiver in respect of the obligation of Wuhan Dequn to pay the lease fee in the amount of approximately RMB288 million (unaudited) calculated according to the Lease Agreement during the period from 1 July 2021 to 14 February 2022. Please refer to the Company's announcement dated 15 February 2022.

Save as the disclosed above, the Company did not have any material events occurred after the reporting period.

As of the date of this announcement, the Group was not aware of any material adverse effects on the unaudited financial position and operating results of the Group. The Group will continue to closely monitor the development of the COVID-19 outbreak and take appropriate counter-measures if any adverse impact is arising.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Consumer product-focused wholesale trading

With 32,000 merchants operating stably, the Group's core project, the North Hankou International Trade Centre* (漢口北國際商品交易中心, "**North Hankou**"), has now formed 30 large comprehensive specialized market clusters covering hotel supplies, branded clothing, second-hand vehicles, small merchandises, bedding, footwear and leatherware, hardware and electrical products, labour protection supplies, non-staple food, etc. The total online and offline transaction amount of North Hankou in 2021 was approximately RMB148.7 billion. During the year, the Group was awarded Demonstration Unit for Establishment of National Commodity Trading Market Information Systems, Top 100 Commodity Market in China, etc.

In 2021, North Hankou increased investment attraction to invigorate all specialized markets which saw an upsurge of decorating old stores and introducing new ones. Dozens of well-known brands, such as Shouba, Aokang, Peak and Toudengcang, adapted to the development trend of the industry and the changing consumer demands in the new era and took on a new look with a multi-dimensional store image, product technology, exhibition scene and procurement experience, which highlighted the unique advantages and value of the offline physical market. Seizing the opportunities brought by peak seasons of the industry and festivals, the Group held hundreds of trade fairs, product launches, internal shopping events, shopping-day events and expositions to stimulate the consumption of North Hankou International Trade Centre.

In 2021, North Hankou created new markets with high quality and further develop new business models. North Hankou Fresh Food World Phase I Market (K Zone) officially opened for business on 18 August 2021. The market covers an area of 40,000 square metres with nearly 300 merchants settling in. It gathers quality seafood and all kinds of food ingredients from origins across the country, and has in place a check point for fresh food ingredients. North Hankou Fresh Food World has further diversified the industry categories of North Hankou. It set off a shopping boom in Wuhan right after opening and became the first choice for fresh food procurement in the region with low prices. Hankow Town, a commercial street that creatively integrates diverse cultural tourism experience and new consumption scenarios, officially opened on 1 October 2021 and became a new must-go landmark in Wuhan. During the Wuhan Commodities Fair, permanent pavilions such as the European Pavilion, the SCO Imports Pavilion and the ASEAN Pavilion in Universal Town were officially opened, bringing together tens of thousands of best-selling products from more than 50 countries. Hankow Town and Universal Town have become the signature venues for the integrated development of culture, business and tourism in North Hankou. North Hankou has risen as a procurement and trade hub integrating tourism, shopping, entertainment and procurement.

In 2021, E-commerce live streaming in North Hankou became a new highlight and the Wuhan Commodities Fair reached a new stage. The first TikTok E-commerce live streaming base in Wuhan was set up in North Hankou. The Clothing Live Streaming and Supply Chain Base in North Hankou has introduced more than 150 large live streaming supply chain enterprises and Internet celebrity live streaming institutions. The three big shows, being the fashion show, style show and life show, target three major markets, namely clothing, shoes and small commodities. The 12th Wuhan Commodities Fair and 2021 Global Digital Trade Conference opened on 12 October 2021 and became a large-scale trade fair with provincial and municipal support. Present at the event were diplomatic envoys and heads of chambers of commerce from 103 countries as well as representatives from 100 domestic wholesale markets and 20 well-known foreign trade enterprises. There were 8,491 exhibitors and 520,000 attendances with a transaction volume of approximately RMB402.8 billion. During the Wuhan Commodities Fair, there were 39 themed pavilions including Guangdong Pavilion, Hunan Pavilion and Hubei Pavilion, 30 themed activities such as Chushang Day, Huanggang Day and Qianjiang Day throughout the whole event, and 113 professional procurement activities such as North Hankou Hotel Supplies Expo and Han Style Children's Clothing Fair, helping to attract investment, gather commercial elements, promote market prosperity and stimulate brand effect for North Hankou.

In 2021, North Hankou evolved into Wuhan International Trade City, expediting the construction of new projects. As a major initiative to help Wuhan build a national trade and logistics hub, Wuhan International Trade City began construction in North Hankou on 6 January 2021, gradually changing from a plan to reality. By now, the construction of North Hankou Hotel Clusters Phase I and Urban Logistics Distribution Centre (M Zone) has started. The construction of Urban Logistics Distribution Centre (M Zone), the tower of North Hankou Freight Centre (V Zone) and Vehicles World Phase II (W6 and W7) will be started gradually and is planned to be basically completed in 2022.

Supply chain management and trading

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

Shenzhen Sinoagri E-commerce Co., Ltd* (深圳市中農網有限公司) ("**Shenzhen Sinoagri**") of the Group, a large B2B platform for agricultural products, saw a rise in sugar consumption during the year due to the social and economic recovery resulted from the effective prevention and control of the epidemic in China. As such, domestic sugar price rose, also boosted by the rising international sugar price. Mutian Technology Co., Ltd* (沐甜科技股份有限公司) ("**Mutian Technology**"), a subsidiary of Shenzhen Sinoagri, grasped market development opportunities, leveraged technologies to enhance its profitability, and made full use of industry chain resources to address customers' pain points. On the one hand, we continued to upgrade the functions and strengthen the promotion and operation of Mutian Mall, and improved customer experience to boost the growth of customers, customer orders and business volume. On the other hand, we pushed further into second- and third-tier markets, established a distribution channel based on the satellite warehouse model, focused on the needs of detail-oriented customers, and formed new business drivers to boost business and revenue growth. The business volume of Mutian Technology increased significantly by 21.6% from 2020 with 2,088 new customers during the year. Shenzhen Sinoagri maintained its leading position in the white sugar sector. As at 31 December 2021, Shenzhen Sinoagri recorded an operating revenue of approximately RMB45.9 billion, representing an increase of 20.4% compared to that for the prior year. Relying on the digital transformation of industries, Shenzhen Sinoagri focuses on the following three aspects: Firstly, we allocate key resources to key links in the industry chain for rural revival. Shenzhen Sinoagri engages in the key links of feed production and processing, pig breeding and apple processing and sorting, and takes advantage of its integrated resources to bolster the industries. Secondly, we envisage all scenarios, categories and risks of the digital intelligence platform, and improve platform data management and customer value service. Shenzhen Sinoagri has achieved comprehensive intelligent management from customer access, pre-assessment, in-process monitoring and post-management, and established a credit risk evaluation and monitoring system covering the entire process. Thirdly, we expand new categories and enhance the service capacity of the industry chain to further improve our business operation and profitability. While remaining a leader in the white sugar sector, Shenzhen Sinoagri gradually scales up new categories such as coffee and dried condiments.

HSH International Inc. ("**HSH**") of the Group, a chemicals and plastics e-commerce platform capable of leading the future trend, integrates information, goods, logistics, finance and other information through the mode of "platform + supply chain service", forming a set of whole industry chain services for upstream and downstream customers in the chemical and plastic industries. In 2021, we adjusted the strategic planning of HSH, further expanded platform business by switching from "self-operated" to "self-operated + platform business", combined upstream resources and downstream customer needs, took key commodities as the breakthrough point to develop business and generate revenue, and integrated resources and data to sort out customers and vigorously develop premium and profitable customers. As at 31 December 2021, the accumulative number of customers on HSH platform was 47,676, and operating revenue amounted to approximately RMB17.9 billion, increasing 126% compared to that for the prior year. In addition, HSH continued to enrich the chemicals product portfolios by introducing high-yielding business such as styrene and pure benzene, in a bid to strengthen market position, further consolidated business of various channels, and leveraged data value to bolster the supply chain financial support for small and micro enterprises. It engaged professional analysts to make judgments on the price trend of the major products and provide procurement and sales guidance price for the business department to conduct transactions based on the actual market condition, so as to reduce risks arising from the decision-making process.

In the bulk black commodity sector, the Group's Zall Steel continues to build a steel data smart service platform with smart trading as its mainstay and supply chain service and technology service as its two arms. In 2021, the domestic pandemic began to mitigate, which drove the demand for steel and the steel price increased. Zall Steel actively seized the market opportunity, and provided multi-dimensional service including smart trading, supply chain finance, SaaS services, warehouse network, smart logistics, data information to upstream, midstream and downstream enterprises of the industry, so as to attract more customers with quality services and promote business growth. As at 31 December 2021, Zall Steel covered 6 steel production and consumption markets (east China, central China, south China, north China, southwest China, northwest China) with Shanghai as its pivot, setting up 28 trading service hubs. It had approximately 50,000 registered members, and its professional supply chain products served thousands of customers. Its operation revenue amounted to around RMB30.1 billion, increasing approximately 78% compared to that for the prior year. In 2021, Zall Steel won multiple recognitions and awards, including CMMI3 Certification Qualification, Top 100 Enterprise in China's Industry Internet (中國產業互聯網百強榜), Leading Enterprise of Digital and Intelligent Transformation in the Steel Industry (鋼鐵產業數智化領航企業), 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), 2021 Excellent Case of China's Industrial Blockchain (2021年度中國產業區塊鏈優秀案例), 2021 Top 100 Enterprise of the Service Industry in Yangtze River Delta (2021年長三角服務業企業100強), etc. At the same time, Zall Steel will focus on data technology to drive service innovation, create and upgrade a data-driven supply chain service management platform with smart services, and build a smart supply chain service ecology with data use, cloud chain, smart information, smart supply as its four core pillars.

In respect of online trading of global commodities sector, Commodities Intelligence Centre ("**CIC**") of the Group, a one-station digital trade service platform integrating services such as transaction matching, customs clearance and declaration, supply chain logistics, trade financing, supply chain finance and global compliance regulation, provides customers with efficient and low-cost trade services without middlemen, and achieves global trade synergies for customers. CIC will make full use of the advantages of "data + technology + services" with an aim to become the No.1 platform for digital trade in Southeast Asia. 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. It also received the United for Humanity Award from the Singapore Red Cross. Such awards demonstrate recognition of CIC's global technology leading position in B2B e-commerce. The continuous deterioration of the pandemic in many countries brings unprecedented impact to all industries; international trading companies also face greater risks and challenges due to disruptions in production and supply chains and the uncertainty of customer needs. As the pandemic highlights the importance of the digital transformation of the commodity industry, CIC platform activity increases significantly. As at 31 December 2021, CIC had completed its business deployment in China, Singapore, Australia, India, Malaysia and many other countries in Asia, and the CIC platform had more than 10,400 registered users, with cumulative transaction volume by users exceeding US$15.36 billion. CIC achieved operating revenue of approximately RMB4.3 billion for the year ended 31 December 2021. With the increasingly close economic ties between ASEAN and China and the establishment of RCEP, CIC has a significant development opportunity. Based on its existing coal and coke products, CIC will expand new trade categories including iron, copper, lead and other black and non-ferrous metals, and make new exploration and attempt on some agricultural products such as pepper. Trade and product information industry will cover more southeast Asian countries, Japan, Korea, Russia and so on. In addition, CIC will further enhance the digital standards of its trading platform, upgrading electronic contract, real-time logistics monitoring, information query, transaction data query and supply chain financial services, so as to better serve customers.

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

FUTURE PROSPECTS

At present, the tide of digital transformation is booming, the digital industry and digital transformation of industries are developing with strong momentum. Digital trade and digital economy have gradually become the new engine of global economic development. 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, chemical plastics, steel, energy, 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, accomplishing 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 31 December 2021 and 31 December 2020 were as follows:

As at 31 December 2021

Stock code	**Name of investee company**	**Number of shares held**	**Effective shareholding interest**	**Acquisition cost**	**Carrying amount as at 31 December 2021**	**Unrealised holding loss arising on revaluation for the year ended 31 December 2021**	**Dividend received for the year ended 31 December 2021**
				RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
00607.HKEX	Fullshare Holdings Limited ("**Fullshare**")	590,962,500	3.00%	620,157	52,640	39,735	–

As at 31 December 2020

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

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

As at 31 December 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: approximately 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 RMB39.7 million for the year ended 31 December 2021 (31 December 2020: unrealised holding gain of approximately RMB5.1 million). The carrying amount of investment in Fullshare accounts for approximately 0.09% of the Group's total assets as at 31 December 2021 (31 December 2020: approximately 0.15%). The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

Results of Operation

Revenue

Revenue of the Group increased by approximately 43.7% from approximately RMB72,769.4 million for the year ended 31 December 2020 to approximately RMB104,564.2 million for the year ended 31 December 2021. The increase was primarily due to the offsetting effect of (i) the significant increase in revenue from supply chain management and trading business; (ii) the decrease in rental income; (iii) the decrease in revenue from sales of properties and related services.

Revenue from supply chain management and trading business

The Group's revenue from supply chain management and trading business has contributed approximately 99.1% of the Group's total revenue for the year ended 31 December 2021. For the year ended 31 December 2021, the Group's revenue from supply chain management and trading business was approximately RMB103,619.2 million (2020: approximately RMB71,433.7 million). The increase in revenue from supply chain management and trading business was primarily attributable to the increase of revenue from Shenzhen Sinoagri, Zall Steel and HSH, which are the major subsidiaries of the Group.

Rental income from investment properties

The Group's rental income from investment properties decreased by approximately 30.4% from approximately RMB718.9 million for the year ended 31 December 2020 to approximately RMB500.7 million for the year ended 31 December 2021. The decrease was primarily due to a waiver of the lease fee of the second half year of 2021 provided by the Group to Wuhan Dequn Business Management Co., Ltd* (武漢德群商業管理有限公司).

Revenue from financing income

The Group's financing income decreased by approximately 17.2% from approximately RMB100.6 million for the year ended 31 December 2020 to approximately RMB83.3 million for the year ended 31 December 2021. The decrease was mainly due to that Shenzhen Sinoagri compressed its partial supply chain financial business to its upstream customers, based on the industrial research and analysis.

Sales of properties and related services

Revenue from sales of properties and related services decreased by approximately 35.3% from approximately RMB404.7 million for the year ended 31 December 2020 to approximately RMB261.8 million for the year ended 31 December 2021.

The Group's revenue from sales of properties was generated from the sales of auxiliary facilities units, office and retails units and residences. The decrease in revenue from sales of properties was mainly attributed to the decrease in the gross floor area delivered in 2021.

Cost of sales

For the year ended 31 December 2021, cost of sales of the Group was approximately RMB103,666.1 million (2020: approximately RMB71,535.7 million). The total cost of sales of the Group increased accordingly as the revenue increased.

Gross profit

Gross profit of the Group decreased by approximately 27.2% from approximately RMB1,233.7 million for the year ended 31 December 2020 to approximately RMB898.1 million for the year ended 31 December 2021. The Group's gross profit margin decreased from 1.7% for the year ended 31 December 2020 to 0.9% for the year ended 31 December 2021 which is mainly because that during the year the supply chain management and trading business with lower gross profit margin increased while the rental income and the revenue from sales of properties and related services with higher gross profit margin decreased.

Other net income

For the year ended 31 December 2021, other net income was approximately RMB194.3 million (2020: approximately RMB248.7 million). The decrease of other net income was mainly due to the decrease in net fair value changes on contingent consideration at fair value through profit or loss.

Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately 49.0% from approximately RMB169.1 million for the year ended 31 December 2020 to approximately RMB252.1 million for the year ended 31 December 2021. The increased was primarily due to (i) the increased in logistics and handling fees of approximately RMB11.4 million; (ii) the increased in office utilities and management fees of approximately RMB26.4 million; and (iii) the increase in staff cost of approximately RMB28.6 million.

Administrative and other expenses

Administrative and other expenses of the Group decreased by approximately 12.0% from approximately RMB621.4 million for the year ended 31 December 2020 to approximately RMB546.5 million for the year ended 31 December 2021. The decrease was primarily due to (i) the decrease in consultancy and services expenses of approximately RMB29.3 million and (ii) the decrease in staff cost of approximately RMB33.8 million.

Impairment loss on trade and other receivables

The impairment loss on trade and other receivables of the Group for the year ended 31 December 2021 was approximately RMB291.8 million (2020: approximately RMB440.6 million). The impairment loss on trade and other receivables recognised was mainly due to the collection of rentals receivables was not as expected as a result of the outbreak of COVID-19 pandemic.

Impairment loss on intangible assets and goodwill

The Group recorded impairment loss on intangible assets and goodwill amounted to approximately RMB334.0 million and approximately RMB61.7 million respectively for the year ended 31 December 2021 (2020: approximately RMB126.5 million and approximately 199.4 million respectively). The impairment loss on intangible assets and goodwill was mainly due to the financial performance of Shenzhen Sinoagri of the Group in the financial year of 2021 being worse than expectation.

Net valuation loss on investment properties

The Group recorded a net valuation loss on investment properties which is amounted to approximately RMB240.7 million for the year ended 31 December 2021 (2020: approximately RMB420.9 million). The net valuation loss on investment properties was mainly due to the net fair value loss recognised on revaluation of investment properties located at North Hankou International Trade Centre as a result of the decrease in rent income due to the rent reduction or waiver provided to tenants affected by the COVID-19 pandemic. The return of investment properties remains stable and the Group will closely monitor the performance of its investment and adjust investment plan when necessary.

Share of net profits of associates

Share of net profits of associates of the Group for the year ended 31 December 2021 was approximately RMB30.1 million (2020: approximately RMB30.4 million). The share of net profits of associates remain stable.

Finance income and costs

Finance income of the Group decreased by approximately 10.0% from approximately RMB248.0 million for the year ended 31 December 2020 to approximately RMB223.3 million for the year ended 31 December 2021. The decrease was mainly due to the decrease of interest income from fixed deposits.

Finance costs of the Group decreased by approximately 19.9% from approximately RMB1,294.2 million for the year ended 31 December 2020 to approximately RMB1,037.0 million for the year ended 31 December 2021. The decrease was mainly due to the decrease of the interest expense on interest-bearing borrowings.

Income tax credit/(expenses)

For the year ended 31 December 2021, income tax credit was approximately RMB158.7 million (2020: approximately RMB149.5 million). The income tax credit was mainly due to the deferred tax income incurred as a result of the net valuation loss on investment properties and impairment loss on trade and other receivables recognised in 2021.

Loss for the year

For the year ended 31 December 2021, the Group recorded a net loss of approximately RMB1,261.4 million (2020: loss of approximately RMB1,349.2 million). For the year ended 31 December 2021, loss attributable to equity shareholders of the Company was approximately RMB1,150.5 million (2020: loss attributable to equity shareholders of the Company of approximately RMB1,260.5 million).

Liquidity and capital resources

As at 31 December 2021, the Group had net current liabilities of approximately RMB463.0 million (31 December 2020: approximately RMB3,668.3 million) and net assets of approximately RMB16,783.6 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 includes (i) the Group has been 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 has been 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 non-core business and assets to raise additional capital. As at 31 December 2021, the total equity attributable to equity shareholders of the Company amounted to approximately RMB16,378.0 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 RMB16,345.3 million (31 December 2020: approximately RMB17,837.4 million).

Cash position

The Group's cash and cash equivalents consist primarily of cash on hand and bank balances which are primarily held in RMB denominated accounts with banks in the PRC. As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately RMB1,095.8 million (31 December 2020: approximately RMB1,184.7 million). The Group's cash and cash equivalents has remained stable. The Group regularly and closely monitors its funding and treasury position to meet the funding requirements of the Group.

Interest-bearing borrowings

The Group's total interest-bearing borrowings increased by approximately 14.4% from approximately RMB20,679.6 million as at 31 December 2020 to approximately RMB17,709.4 million as at 31 December 2021. Majority of the loans were denominated in RMB, being the functional currency of the Group. Details of the interest rates during the year ended 31 December 2021 are set out in note 5(a) of the consolidated financial statements in this announcement.

Net gearing ratio

The Group's net gearing ratio decreased from 71.8% as at 31 December 2020 to 46.2% as at 31 December 2021. The decreased in net gearing ratio was mainly due to the decrease of total interest-bearing borrowings as at 31 December 2021. The net gearing ratio is calculated by dividing interest-bearing borrowings, net of cash and cash equivalents, pledged bank deposits and fixed deposits with banks with original maturity over three months, 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 31 December 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.

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, "**Zall Smart Wuhan**"), an indirect 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, "**Zall Venture**"), a company owned as to 99.95% by Mr. Yan Zhi, entered into the equity transfer agreement, pursuant to which the Zall Smart Wuhan agreed to sell, and Zall Venture agreed to acquire, 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 Zall Smart Wuhan at the consideration of RMB60,034,300. For details, please refer to the Company's announcement dated 20 May 2021.

On 28 September 2021, Zall Cross-border E-commerce Investment Company Limited ("**Zall Cross-border**") and Zall Development (HK) Holding Company Limited ("**Zall Development (HK)**", both being wholly owned by the Company, as sellers and Zall Development Investment Company Limited ("**Zall Development Investment**"), a company directly wholly-owned by Mr. Yan Zhi, as purchaser, entered into sale and purchase agreement, pursuant to which Zall Cross-border and Zall Development (HK) agreed to sell and Zall Development Investment agreed to acquire, 50,000,000 shares in LightInTheBox Holding Co., Ltd. at the consideration of US$45,500,000. For details, please refer to the Company's announcement dated 28 September 2021 and the Company's circular dated 21 October 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.

Segment reporting

Details of the segment reporting of the Group for the year ended 31 December 2021 are set out in note 3(b) of the consolidated financial statements in this announcement.

Contingent liabilities

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

As at 31 December 2021, the guarantees in relation to mortgage facilities granted to purchasers of the Group's properties amounted to approximately RMB309.0 million (31 December 2020: approximately RMB388.0 million).

CHANGES IN ACCOUNTING POLICIES

The Group has applied the amendments to IFRS 16 issued by the IASB to these financial statements for the current accounting period of the Group. For details, please refer to note 2 to the consolidated financial statements of the Company in this announcement.

EVENTS AFTER THE REPORTING PERIOD

On 18 January 2022, the Company and Zall Holdings Company Limited ("**Zall Holdings**"), a company wholly owned by Mr. Yan Zhi, entered into the subscription agreement (as amended and supplemented by a side letter dated 11 March 2022), pursuant to which the Company has conditionally agreed to allot and issue, and Zall Holdings has conditionally agreed to subscribe for, 600,000,000 subscription shares in cash under the specific mandate at the subscription price of HK$0.50 per subscription share for an aggregate consideration of HK$300,000,000. For details, please refer to the Company's announcements dated 18 January 2022 and 11 March 2022, and the Company's circular dated 18 March 2022.

On 15 February 2022, Wuhan North Hankou Trade Market Investment Co., Ltd.* (武漢漢口北商貿市場投資有限公司) and Zall Investment Group Co., Ltd.* (卓爾投資集團有限公司), both being a wholly-owned subsidiary of the Company, as lessors (together, the "**Lessors**") and Wuhan Dequn Business Management Co., Ltd* (武漢德群商業管理有限公司) ("**Wuhan Dequn**") as lessee entered into a termination agreement (the "**Termination Agreement**"), pursuant to which the Lessors and Wuhan Dequn agreed to terminate the lease agreement dated 11 September 2017 (as amended by the transfer agreement dated 17 December 2020) (the "**2020 Lease Agreement**") effective from 15 February 2022. Pursuant to the Termination Agreement, Wuhan Dequn has surrendered the tenancy under the 2020 Lease Agreement and has settled all the relevant outstanding fee, including but not limited to the management fee, utility fee and garbage disposal fee, for the leased premises up to and including 14 February 2022. The Lessors have granted to Wuhan Dequn a waiver in respect of the obligation of Wuhan Dequn to pay the lease fee in the amount of approximately RMB288.0 million calculated according to the 2020 Lease Agreement during the period from 1 July 2021 to 14 February 2022. For details, please refer to the Company's announcement dated 15 February 2022.

Save as disclosed herein, up to the date of this announcement, the Company did not have any material events occurred after the reporting period.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group employed a total of 1,825 full time employees (2020: 2,027). Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2021, the employees benefit expenses were approximately RMB336.8 million (2020: approximately RMB290.7 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as shares and options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

The Group has 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. In relation to the Share Option Scheme, 45,667,950 share options were outstanding as at 31 December 2021.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (version up to 31 December 2021) as its corporate governance code of practices. In the opinion of the Board, the Company had complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2021.

The requirements under the new Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**New CG Code**") which came into effect on 1 January 2022 shall apply to the Company's corporate governance report for the financial year commencing on 1 January 2022.

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 year ended 31 December 2021. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code for the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE AND REVIEW OF THE UNAUDITED ANNUAL RESULTS

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

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

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

To the best knowledge and belief of the Audit Committee and the Directors having made due enquiries and reviewing all relevant documents available, due to the recent pandemic measures in the PRC and Hong Kong in connection with the outbreak of the COVID-19 pandemic, the reporting and audit processes of the Company's consolidated financial statements for the year ended 31 December 2021 have been disrupted, in particular the delay in obtaining certain confirmations from banks in the PRC and postponement of the auditor's field work. In order to keep the shareholders and potential investors informed of the business operation and financial position of the Group, the Board decided to publish this unaudited annual results announcement of the Company for the year ended 31 December 2021 together with the audited comparative figures for the corresponding period in 2020. The unaudited annual results contained herein have been reviewed by the Audit Committee but have not been agreed with the Company's external auditors.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue a further announcement in relation to (i) the audited consolidated results for the year ended 31 December 2021 as agreed by the Company's external auditors and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed date on which the forthcoming annual general meeting will be held; and (iii) the period during which the register of members of the Company will be closed in order to ascertain eligibility of the shareholders of the Company to attend and vote at the said meeting. The Company expects the auditing process will be completed and such further announcement will be published on or before 14 April 2022. In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the auditing process.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2021 (2020: nil).

PUBLICATION OF THE UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This unaudited annual results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the Company's website at http://www.zallcn.com. The annual report for the year ended 31 December 2021 of the Group containing all the information required by the Listing Rules is expected to be published on the same websites and be dispatched to the shareholders of the Company in due course.

Financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Company's external auditors, and are subject to adjustments. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2022

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