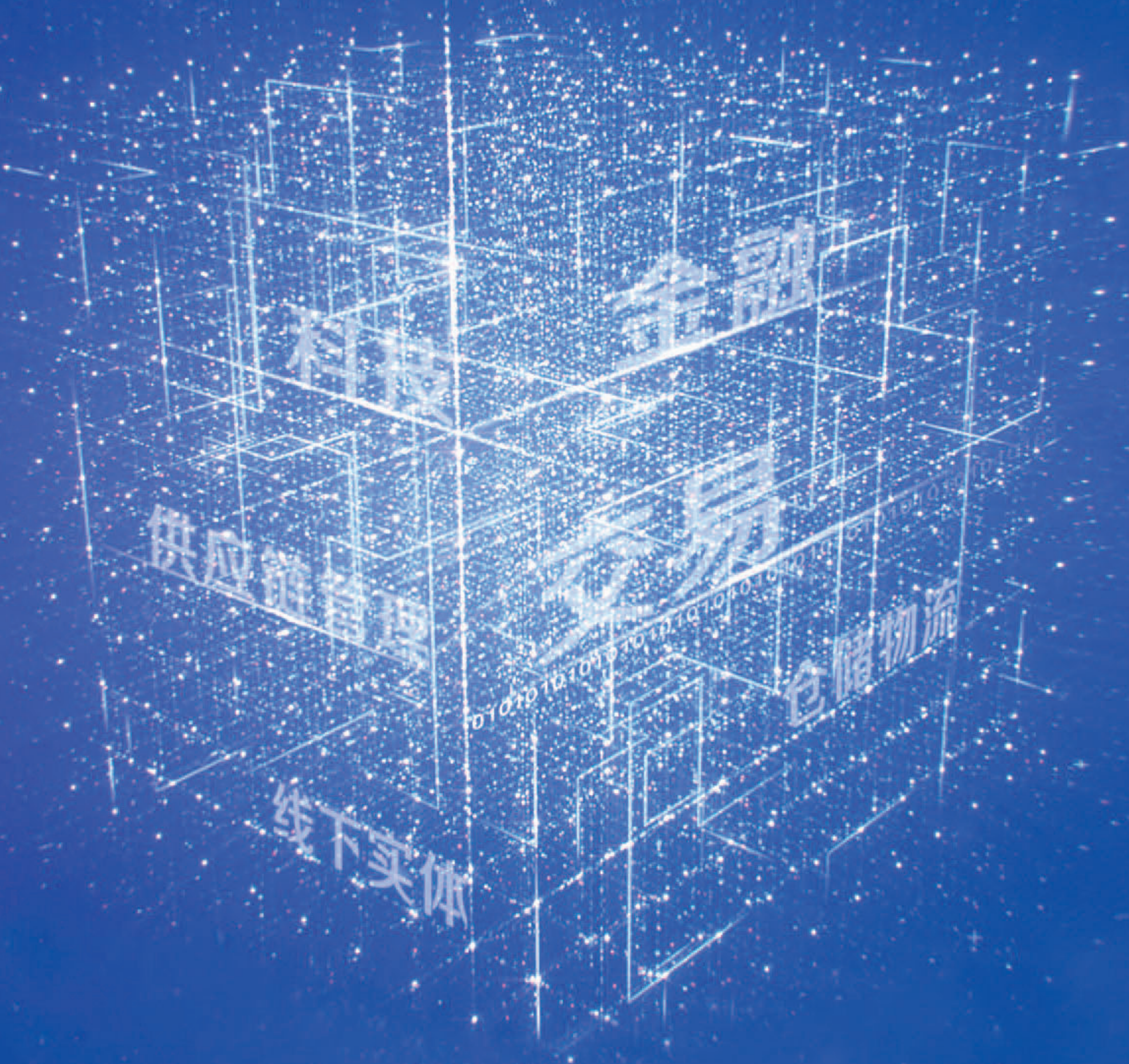
Zall Smart Commerce Group Ltd.
卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2098



Interim Report 2020

About
Zall Smart Commerce Group Ltd.

The Group constructs and operates B2B trading platforms for consumer goods, agricultural products, chemicals, plastic raw materials, black and non-ferrous metals, etc., and provides services such as finance, property, logistics, cross-border trading and supply chain management based on the trading scenario and transaction data. The Group also develops and operates large-scale, consumer product focused wholesale shopping malls.

Contents

Corporate **Information**

DIRECTORS

Executive Directors	Mr. Yan Zhi *(Co-chairman and Co-chief executive officer)* Dr. Gang Yu *(Co-chairman)* Mr. Wei Zhe, David Mr. Qi Zhiping *(Co-chief executive officer)* Mr. Cui Jinfeng Ms. Min Xueqin
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 *(Chairman)* Mr. Wu Ying Mr. Zhu Zhengfu
Nomination Committee	Mr. Wu Ying *(Chairman)* Mr. Yan Zhi Mr. Cheung Ka Fai
Remuneration Committee	Mr. Zhu Zhengfu *(Chairman)* Mr. Qi Zhiping Mr. Wu Ying

Corporate **Information (continued)**

Risk Management Committee	Mr. Zhu Zhengfu *(Chairman)* Mr. Cui Jinfeng Mr. Cheung Ka Fai
Company Secretary	Ms. Foo Man Yee, Carina
Company Website	http://www.zallcn.com/
Authorized Representatives	Mr. Cui Jinfeng Ms. Foo Man Yee, Carina
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	SMP Partners (Cayman) Limited 3rd Floor, Royal Bank House 24 Shedden Road P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands
Legal Advisors	P. C. Woo & Co. Sidley Austin
Principal Bankers	China Construction Bank China Minsheng Banking Corp., Ltd. Industrial and Commercial Bank of China China CITIC 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 am pleased to present the interim report of the Company and its subsidiaries (together, the "Group") for the six months ended 30 June 2020.

Affected by the pandemic, economic operations were under much pressure. Internationally, the global economy declined, international trade and investment contracted, the financial market fluctuated, and the economic globalization ran into a headwind. Domestically, the Chinese economy was faced with challenges arising from intertwining structural, systematic, and cyclical issues. However, crisis give rise to opportunities, while changes open up new horizons.

Upholding the business philosophy of "connecting global business intelligently and creating value for clients", Zall Smart steadily pushed forward the resumption of work and production while proactively participating in the combat against the pandemic. With the Company's solid foundation, stable team, and clear model, its various platforms developed robustly, boosting the Company's result to grow against the trend.

At the critical moment of pandemic outbreak, the Company fully leveraged its advantages in resources of the global supply chain system integrating online and offline operations to assist Zall Foundation in quickly sourcing and purchasing emergency supplies from various countries and deliver them to Wuhan within 48 hours using two airplanes, the first dedicated medical supplies delivery airplanes to arrive at the city. The Company organized 11 dedicated airplanes for the transport of donated supplies and mobilized 320 employees to form volunteer teams to donate 10.26 million items of emergency supplies to 556 medical institutions across the province in the first instance. The cold chain logistics company provided delivery support for major supermarkets in Wuhan on an ongoing basis.

During the first half of the year, the Company maintained its presence in the industrial Internet business and steadfastly developed the new intelligent trading platform. The Zall intelligent trading eco-system has garnered a large number of customers, while the platforms extended presence further up and down the industrial chain. The Company's supply chain management capabilities were further enhanced. The offline markets saw development opportunities for accelerated pace towards prosperity. Online platforms relied on new technologies such as blockchain and artificial intelligence and leverage financial services to continuously promote the integrated development of industries and finance. The overseas business continuously grew and expanded, accelerating our internationalization process.

With respect to the offline market, we aggressively forged ahead and undauntedly explored in all markets, constantly venturing into new business to provide new driver for the prosperity of the market. North Hankou International Trade Centre (漢口北國際商品交易中心) accelerated its upgrade by initiating the construction of modern and international supportive facilities, adding functions such as commercial exhibition, financial service, hotel cluster, and big data, in a bid to build an important market hub in Central and Western China and "China's largest and world-leading" modern commercial and trading logistics platform. With the accelerated construction of "Smart Market" in North Hankou, the relocation of the entire Xinrong Long-Distance Bus Station to North Hankou Passenger Transportation Centre (漢口北客運中心), and the establishment of the ecological industrial cluster for live streaming in North Hankou, offline markets as represented by North Hankou saw significant development opportunities and will further prosper. The home decoration plaza of Tianjin Zall E-commerce Mall (天津卓爾電商城), commenced operation with near 300 brand retail tenants settling in the mall altogether. Jingzhou Zall City (荊州卓爾城) successfully acquired the land to develop a modern urban complex. Phase II of Zall Changsha No. 1 Enterprise Community (長沙第一企業社區) commenced

Chairman's **Statement (continued)**

construction to build another innovative smart industrial park. On top of maintaining its existing advantages in property development, the Company continuously expanded industrial parks, logistics parks and warehouse facilities to increase the market value of supply chain infrastructure.

The online platforms continued to focus on various industries, adhere to win-win cooperation, and proactively promote the integration of industries and finance. Shenzhen Sinoagri E-commerce Co., Ltd.* (深圳中農網有限公司) ("Shenzhen Sinoagri") entered into a cooperation agreement with Marubeni Corporation of Japan to build a "one-stop intelligent coffee procurement and service platform", and completed the A+ round of investment in Chengdu Smart AHC Co., Ltd.* (成都睿畜電子科技有限公司) ("Smart AHC") to explore business areas such as smart agriculture and animal husbandry, production and financing for breeding of live pigs, and supply chain of the fodder industrial chain. HSH International Inc. ("HSH") joined hands with Zhongbang Bank to develop "Loan for Plastic Enterprise" (助塑貸), which is expected to provide financial support for over 2,000 small and micro manufacturers. Zall Steel E-commerce Co., Ltd.* (上海卓鋼鏈電子商務有限公司) ("Zall Steel") and Zhongbang Bank jointly launched the "Special Financial Support Plan for Pandemic Combat and Production Resumption" and rolled out a number of online products and services such as online payment, Zall Steel SaaS cloud services, and Piao Li De (票立得) to empower the digital transformation of the steel industry. The Company's platforms constantly expanded in commodity service sectors such as agriculture products, chemicals and plastics, and ferrous metals and proactively promoted the integration of industries and finance to provide the best solutions for upstream and downstream customers along the industrial chain and further enhance our influence in the industry.

In advancing the internationalization process, the Company made constant efforts in the foreign trade industry and cross-border e-commerce, achieving remarkable results. "Zall Foreign Trade Service" established comprehensive service centres for foreign trade in Xianning, Xiaogan and other places to support the development of the foreign trade industry in Hubei. The Commodities Intelligence Centre Pte. Ltd. ("CIC") established in Singapore provided electronic trading services for commodities to over 10 countries in Asia and Australia using blockchain as its underlying technology.

In the future, on the precondition of properly carrying out normalized prevention and control of the pandemic, Zall Smart will continue to focus on the principal businesses of B2B and supply chain services and persistently promote the highly integrated development of offline markets and online platforms, with offline markets providing traffic and size for online platforms, and online platforms empowering the prosperity of the offline markets, both developing side by side to propel Zall Smart into the fast lane of development.

We believe that as long as we undauntedly persevere in the face of crisis and unwaveringly plough ahead through the storms, we will sure to sail steadily and far. In the pandemic era, we look forward to working with more Chinese and global enterprises to achieve win-win results by fully leveraging new technologies to empower industry development, connecting the upstream and downstream of the industrial chain, jointly building the intelligent trading eco-system, and redefining B2B and even global trade, thereby truly "enabling smooth and easy trading and seamless flow of elements" and contributing to the Chinese and global economies.

Yan Zhi
Co-chairman

Hong Kong, 31 August 2020

Management Discussion
and Analysis

BUSINESS REVIEW

Consumer product-focused wholesale trading

The Group's heavily invested core project, the North Hankou International Trade Center, has now formed 30 large specialized market clusters covering hotel supplies, branded clothing, second-handed vehicles, small merchandises, bedding, footwear and leatherware, hardware and electrical products, labor protection supplies, non-staple food, etc., with 32,000 merchants operating stably. The total developed and developing area of market clusters exceeded 6.8 million square meters. The transaction amount achieved in the first half of 2020 was approximately RMB29.8 billion.

In the first half of 2020, North Hankou International Trade Centre offered an area of approximately 115,500 square meters to attract investment. By launching additional campaigns to attract investment, various types of business such as food and beverage, fashion, daily supplies, accommodation, entertainment, shopping, travel and exhibition were vigorously brought to the centre. An investment attraction campaign was launched at Wanguo City (萬國城) at full speed, featuring the theme of "Old Hankou" and "New Paradise for People", with an aim to open the mall within the year. The construction of J6 and KM zones was underway to further expand the market size. A food ingredients market is being introduced to this site, and the logistics functions are enhanced by expanding the logistics station and building a logistics headquarter for the arrival of goods. At present, the North Hankou International Trade Centre is progressively carrying out the upgrade of the overall planning for market size, functional elements, business fundamentals as well as transportation and livelihood supporting facilities to build up the centre as a "Pilgrimage Site for Chinese Businesses" and an "On-site Business Museum". In particular, the North Hankou Transportation Terminal already officially commenced operation on 31 May 2020. As a result of the impact of the COVID-19 pandemic on the physical market, upon resumption of work and production, the North Hankou International Trade Centre tapped the potential and carried out innovative marketing with integrated online and offline efforts, and accelerated the launch of the "cloud market" plan to assist tenants to broaden their shipment channels through e-commerce live broadcast by organizing more than 100 e-commerce live broadcast training sessions for more than 12,000 attendants; conducting 54 live broadcasts on investment attraction; carrying out 2,841 live broadcast delivery activities; planning the "North Hankou Spring and Summer E-commerce Live Purchase Festival"; and arranging tenants from various sectors to roll out more online goods order fairs.

Tianjin Zall E-commerce Mall is the Group's flagship project in Northern China in which some of the commercial, trade and e-commerce zones of Phase I have gradually commenced operation. Since work and production were resumed following the COVID-19 pandemic in 2020, the Tianjin E-commerce Mall project has overcome difficulties and set a foothold on the local market of Tianjin by deeply exploring various market resources such as flower, bird, fish, pet, antiques as well as home decoration and building materials. The home decoration plaza of Tianjin Zall E-commerce Mall, officially commenced operation on 28 May 2020 following the relocation of the old building materials market in Tianjin. More than 300 brand retail tenants from the old-brand decoration markets such as Houtai, Wangdingdi and Dengdian in Tianjin were relocated to the mall altogether, featuring various first-line brand retailers such as Nobel Ceramic Tile (諾貝爾陶瓷), Power Dekor (聖象地板), Opple (歐普照明), Fotile Water Heater (方太熱水器), Midea Integrated Ceiling (美的集成吊頂) etc. Moreover, Tianjin Zall E-commerce Mall has commenced the development and construction of its Phase II project as well.

Supply chain management and trading

The Group has acquired and established various companies in the industrial internet sector focusing on the construction and operation of intelligent trading and service platforms. The Group has established B2B trading platform matrix for agricultural products, chemicals, plastics, ferrous metals, non-ferrous metals, energy, etc. so far.

During the COVID-19 pandemic, Shenzhen Sinoagri, an e-commerce platform for the agricultural products of the Group, adjusted its operation strategy quickly. Taking advantage of its strong online capabilities and judgment on the trend of the vertical industries during the COVID-19 pandemic, Shenzhen Sinoagri further opened up a new space for growth. It immediately took advantage of the online platform to resume operation quickly, catered to the fast-changing customer needs and responded in a timely manner. An online self-operating mall was set up to enhance the online capabilities and refined operations. The online mall is orders-led, with a focus on refined operations, matched with finer product granularity and demand precision, and supported by SKU digital management, quality control capabilities and service response capabilities to effectively activate customer stickiness and conversion rates. On the other hand, Shenzhen Sinoagri strategically positioned itself in the investment strategy for the entire industry chain, looking for opportunities to grow on the new track amid changes. In the first half of the year, as the lead investor, it completed the A+ round of investment in Smart AHC, officially opening up a new business in the smart breeding of live pigs, and accelerating the pace of extensional development. Despite the impact of the COVID-19 pandemic, the coffee business of the Group which operates through a joint venture with Marubeni Corporation of Japan, also entered a substantive operation stage by building a one-stop coffee intelligent supply chain service platform that offers selected quality raw/cooked coffee beans, coffee freeze-dried powder, etc. Shenzhen Sinoagri has successfully expanded from the existing principal product categories to multiple categories, is continuously optimizing the proportion of its product mix with high margins, and has strong growth potential. In the new situation, it constantly upgrades its existing financial products and develops product lines, and has established cooperation with 22 financial institutions in a proactive manner to promote the application of inclusive financial products to FinTech so as to empower upstream and downstream customers in the industry. As of 30 June 2020, Shenzhen Sinoagri had 15,361 new customers and a total of 127,535 registered users. Its operating income amounted to approximately RMB18.1 billion in the first half of the year.

HSH, an e-commerce platform for chemical plastic products under the Group, is committed to promoting the infrastructure construction of the "Internet + chemicals and plastic raw materials", opening up the closed loop of transaction of information flow, logistics and capital flow in the entire industrial chain for chemicals and plastic raw materials. It aims to construct a new ecosystem for the entire industrial chain of chemical and plastic raw material industry through an innovative mode of distributed sharing platform. In the post-pandemic period of this year, financial institutions support the development of medium, small and micro enterprises on a targeted basis; the operation rate of downstream factories of HSH gradually recovered to around 90%. Stimulated by various economic policies such as the state's tax and fees reduction initiatives, new infrastructure, etc., the overall demand of the chemical and plastics market has been effectively released, and the market continues to demonstrate stable growth. As of 30 June 2020, the accumulative number of customers of the HSH platform reached 44,774, and the operating revenue was approximately RMB2.9 billion in the first half of the year.

In the bulk black commodity sector, Zall Steel continued to build an Internet-based integrated service platform for the black bulk commodity industry. The platform integrated six services that comprise "smart transactions, supply chain finance, SAAS cloud services, warehousing and IoT, smart logistics and data information", so as to empower the iron and steel industry chain with the "technology + business" two-wheel drive to connect data link between the upstream, midstream and downstream operations of the industry chain, and to make the iron and steel industry chain better, faster and more economical. The COVID-19 pandemic this year has accelerated the progress of online services and digitalization of Zall Steel platform. By making the full use of Internet technology, Zall Steel carried out online operation and management internally, and extended online services and products externally. By employing its self-developed SAAS cloud services, a lightweight version of Zall Steel, it delivered integrated service solutions to the trading companies and terminal service providers in the iron and steel industry. While carrying out standardized transactions in an orderly manner, Zall Steel will continue to explore the market segment downwards and to commit resources to the specialized and customized service capabilities of the multiple, vertical segments (pig iron, ferroalloy, special steel, etc.), so as to create differentiated core competitiveness in the specialized fields, and to build a professional supply chain management service system for the iron and steel industry. Since its establishment, Zall Steel has built business partnerships with approximately 25,000 upstream and downstream customers. For the six months ended 30 June 2020, Zall Steel realized operating revenue of approximately RMB6.1 billion.

In respect of international business, the Group's CIC provides integrated services covering transaction matching, custom clearing and declaration, supply chain logistics, trade financing, supply chain finance and global compliance regulation, as well as provides trade data and trade index services, realizing the intellectualization of the whole process of bulk commodity trading. The spread of the COVID-19 pandemic on a global scale has created an unprecedented impact on all industries, posing greater risks and challenges to international trading companies due to the interruption of production and supply chains and the uncertainties about customer demand. In this process, CIC was not hit by the pandemic. Instead, it was trading against the trend as a whole as its sales revenue amounted to approximately USD1 billion in the first half of the year, which exceeded the total revenue throughout last year. As the pandemic has highlighted the importance of digital transformation in the bulk commodity sector, the number of customers on the CIC platform also increased by 20% as compared to 2019, resulting in increasing level of activity on the entire platform. Through the integration of professional medical technology on the online platform with offline supply chain logistics, CIC assured its capabilities for the international procurement and supply of various medical supplies during entire period of the Group's fight against the pandemic to the aid of 16 countries in their fight against the pandemic together. As of 30 June 2020, the CIC recorded accumulative transaction amount of over USD12.9 billion and over 5,000 registered users, which completed our business layout in China, Singapore, Australia, India, Malaysia and various countries in Asia.

Management Discussion
and Analysis (continued)

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

Warehousing and logistics services

In respect of warehousing services, Zall Cloud Warehouse (卓爾雲倉), a subsidiary of the Group, focuses on the provision of offline warehouse goods custody and distribution services, warehouse leasing and financial products regulatory services for enterprises and their upstream and downstream distributors and wholesale markets through the integration of warehousing management, physical delivery, regulatory network, logistics and transportation, financial risk regulation and other resources within the trading process. Zall Cloud Warehouse has focused on developing visualized intelligence monitoring model in recent years, and withstood the test from the pandemic challenge during the first half of 2020. It effectively monitored the goods on platforms such as Shenzhen Sinoagri, Zall Steel, CCTC (華棉網), Zhuoyitong (卓易通), etc., through 38 monitoring warehouses of the Internet of Things, built by cloud warehouse, served 133 enterprises in half a year, and monitored more than 220,000 tons of goods accumulatively with 0 error rate in the first half of the year. Meanwhile, in order to meet the increasingly growing business demand, cloud warehouse actively deployed its national layout, newly increasing 46 whitelist regulatory warehouses in Shanghai, Tianjin, Xi'an, Guangzhou, etc. In respect of warehouse distribution business, Zall Cloud Intelligent Warehouse Center, built by Zall Cloud Warehouse, has begun to provide services for domestic well-known mobile phone brands, restaurant chain brands and leading electrical appliance brands, and also reached cooperation consensus with shoes and clothing, maternal and infant, fast moving consumer goods and other industries, providing highly efficient and one-stop services for those enterprises. Wuhan Zall Cloud Intelligent Warehouse Center has gradually become an influential warehouse platform in the Central China region, laying a solid foundation for cloud warehouse to realize nationwide presence.

In respect of logistics services, based on the development strategy of "Technology Driven + Supply Chain Driven", Zallsoon Information Technology (Wuhan) Co., Ltd. ("Zallsoon"), a subsidiary of the Group, made innovation and development in logistics informatization and supply chain management, and helped the logistics industry to reduce costs and increase efficiency with the help of technology in 2020, in addition to providing enterprise customers with one-stop logistics services including intracity express transportation, long-distance freight transportation, cold chain warehousing and distribution. In addition to creating our core proprietary intellectual property, Zallsoon has so far obtained 12 software copyrights and is applying for 11 patent inventions. As of 30 June 2020, there were approximately 115,000 drivers on the Zallsoon logistics system platform, and the accumulated number of orders in aggregate was over 100 million. Throughout the year, approximately 5.8 million of cold chain deliveries had been completed.

FUTURE PROSPECTS

Originated from the offline wholesale market, Zall Smart has a large customer base and buoyant transactions. The concentration of its offline customers and market resources, and the service improvement lay a solid foundation for the development of the online platform. Experiencing five years of transformation and upgrade of the internet industry, Zall Smart has accumulated extensive experiences in physical market and industry internet operation, which continued to empower the offline physical market, forming the model of in-depth online and offline integration and coordinated development.

Management Discussion and Analysis (continued)

The new development model of "domestic grand circulation as the main body with mutual promotion between domestic and international circulations" has been the most significant strategy adjustment since the launch of the reform and opening policy, and is bound to bring tremendous development opportunities for Zall Smart. The trading and flow of goods and production factors are the essence of economic circulation. Focusing on its principal business of modern supply chain management and aiming at the construction and operation of a new-generation intelligent trading platform as the industry direction, Zall Smart will participate in the new development landscape from a high starting-point and play a critical role therein, bringing momentum for accelerating the economic circulation and becoming a promoter of industry upgrade.

Leveraging local governments' strong support, we will accelerate the upgrade of North Hankou International Trade Center, initiate the construction of modern and international supportive facilities, supplement functions such as commercial exhibition, financial services, hotel cluster, big data, etc., and build the center into an important market hub in Central and Western China and a China's leading modern commercial and trading logistics platform. Meanwhile, the Group will continue to maintain its existing advantages in property development, expand industrial parks, logistics parks and warehouse facilities, and increase the market value of supply chain infrastructure. We will strengthen the advantage of the trading service system featuring online and offline integration, utilize online trading service platform to practically serve and empower offline markets, and provide valuable integrated services including live broadcast platforms, traffic import, and intelligent supply chain.

We will continuously enhance the service capability of the modern supply chain by developing and optimizing platform services such as logistics, finance, supply chain, and cross-border transactions. With the trial of the trading method of market procurement as the first step, Zall Foreign Trade Service as the carrier, and CIC as the foundation, we will strive for breakthroughs in the foreign trade business, strengthen financial services of the supply chain, heighten the public service attributes of various platforms, intensify service satisfaction, optimize customer experience, and increase the number of users. We will constantly expand industrial resources such as agricultural products, steel, chemicals and plastic to steadily enlarge the business scale and solidly enhance the influence of Zall Smart in the industry. We will accelerate the building of the new intelligent trading method based on emerging technologies such as blockchain, comprehensively develop and accelerate the R&D and application of the future-proof operating system for business trading based on artificial intelligence and blockchain technology, empower industry development with the application of new technologies, enhance trading efficiency and lower trading costs, so as to facilitate production with trading and to drive trading with production, providing important propeller for the upgrade of traditional industries, the penetration of the industrial Internet, and the development of the intelligent manufacturing industry.

INVESTMENT PORTFOLIO

The portfolio of listed equity investments of the Group as at 30 June 2020 and 31 December 2019 were as follows:

As at 30 June 2020

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost RMB'000	Carrying amount as at 30 June 2020 RMB'000	Unrealised holding loss arising on revaluation for the six months ended 30 June 2020 RMB'000	Dividend received for the six months ended 30 June 2020 RMB'000
00607.HKEX	Fullshare Holdings Limited ("Fullshare")	590,962,500	3.00%	620,157	76,113	20,838	–

As at 31 December 2019

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost RMB'000	Carrying amount as at 31 December 2019 RMB'000	Unrealised holding loss arising on revaluation for the year ended 31 December 2019 RMB'000	Realised holding loss arising on disposal for the year ended 31 December 2019 RMB'000	Dividend received for the year ended 31 December 2019 RMB'000
00607.HKEX	Fullshare	590,962,500	3.00%	620,157	95,287	812,810	61,705	–

As at 30 June 2020, the Group held approximately 590,962,500 (31 December 2019: 590,962,500) shares in Fullshare, representing approximately 3.0% of its entire issued share capital (31 December 2019: 3.0%). Fullshare is listed on the main board of the Stock Exchange of Hong Kong Limited. Its principal activities are property development, tourism, investment, provision of healthcare products and services business and new energy business. The Group recognized an unrealised holding loss of approximately RMB20.8 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: approximately RMB697.9 million). The carrying amount of investment in Fullshare accounts for approximately 0.11% of the Group's total assets as at 30 June 2020 (31 December 2019: approximately 0.15%). The Group would like to emphasize that the unrealised holding loss is non-cash in nature and relates to the change in fair value of the Group's investment in Fullshare that are volatile in nature. The Group will closely monitor the performance of its investment and adjust its investment plan and portfolio when necessary.

Management Discussion
and Analysis (continued)

RESULTS OF OPERATION

Operating revenue

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
— Revenue from sales of properties and related services	**255,470**	89,010
— Revenue from supply chain management and trading business	**34,956,298**	34,077,554
— Revenue from E-commerce and financial services business	**–**	43,103
— Revenue from construction contracts	**2,757**	2,118
— Others	**112,364**	1,400
	35,326,889	34,213,185
Revenue from other sources		
Gross rentals from investment properties		
— Lease payments that are fixed	**343,150**	354,514
Financing income	**36,622**	97,667
Others	**56,403**	57,592
	35,763,064	34,722,958

Revenue of Group amounted to approximately RMB35,763.1 million for the six months ended 30 June 2020, which remains stable compared with the revenue amount of RMB34,723.0 million for the six months ended 30 June 2019. The slight increase was primarily due to the offsetting effect of (i) the slight increase in revenue from supply chain management and trading business; (ii) the slight decrease in rental income; (iii) the significant decrease in revenue from E-commerce and financial service business; (iv) the increase in revenue from sales of properties and related services; and (v) the decrease in revenue from financing income.

Revenue from supply chain management and trading business

The Group's revenue from supply chain management and trading business has contributed approximately RMB34,956.3 million of the Group's total revenue for the six months ended 30 June 2020. The slight increase in revenue from supply chain management and trading business was primarily attributable to offsetting effect of (i) the increase in revenue from CIC; and (ii) the decrease in revenue from HSH and Zall Steel.

Rental income from investment properties

The Group's rental income slightly decreased by approximately 3.2% from approximately RMB354.5 million for the six months ended 30 June 2019 to approximately RMB343.2 million for the six months ended 30 June 2020. The rental income was slightly clouded by the COVID-19 pandemic which resulted in non-renewal or terminations of tenancies by a few tenants.

Management Discussion
and Analysis (continued)

Revenue from financing income

The Group's financing income decreased by approximately 62.5% from approximately RMB97.7 million for the six months ended 30 June 2019 to approximately RMB36.6 million for the six months ended 30 June 2020. The decrease was mainly due to Shenzhen Sinoagri compressed its partial supply chain financial business to its customers, based on the industrial research and analysis.

Revenue from E-commerce and financial services business

There was no longer revenue incurred from e-commerce and financial services business for the six months ended 30 June 2020, which was mainly due to the disposal of Zalljinfu Information Technology (Wuhan) Co., Ltd during the second half of 2019, the revenue from which was no longer consolidated into the financial statements of the Group.

Revenue from construction contracts

The Group's revenue from construction contract to build certain properties on behalf of a third party increased by approximately 30.2% from approximately RMB2.1 million for the six months ended 30 June 2019 to approximately RMB2.8 million for the six months ended 30 June 2020. The revenue was recognised according to the actual cost incurred for the six months ended 30 June 2020. The increase was primarily due to the increase of the cost incurred for property development projects for the six months ended 30 June 2020.

Sale of properties and related services

Revenue from the sale of properties and related services increased by approximately 187.0% from approximately RMB89.0 million for the six months ended 30 June 2019 to approximately RMB255.5 million for the six months ended 30 June 2020.

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 increase in revenue from sales of properties was mainly attributed to the increase in the gross floor area delivered during the six months ended 30 June 2020.

Cost of sales

Cost of sales of the Group slightly increased by approximately 3.2% from approximately RMB34,096.5 million for the six months ended 30 June 2019 to approximately RMB35,201.7 million for the six months ended 30 June 2020. The increase is primarily due to the rapid increase in trading volume of CIC compared with prior period.

Gross profit

Gross profit of the Group decreased by approximately 10.4% from approximately RMB626.5 million for the six months ended 30 June 2019 to approximately RMB561.4 million for the six months ended 30 June 2020. The Group's gross profit margin slightly decreased from approximately 1.8% in the first half of 2019 to approximately 1.6% in the first half of 2020 which was mainly due to (i) the short-term impact of the COVID-19 pandemic in the first half of 2020, resulting in the delay or cancellation of certain commodities transactions with higher gross margin; (ii) the downsizing of revenue scale of supply chain financial business which is with higher gross margin.

Management Discussion
and Analysis (continued)

Other net income/(loss)

Other net income/(loss) of the Group changed from a net loss of approximately RMB808.4 million for the six months ended 30 June 2019 to a net income of approximately RMB62.1 million for the six months ended 30 June 2020. The change was mainly due to the loss in the net fair value change on listed equity securities and contingent consideration at fair value through profit or loss significantly decreased compared with the amount incurred for the six months ended 30 June 2019.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased by approximately 32.1% from RMB102.9 million for the six months ended 30 June 2019 to approximately RMB69.9 million for the six months ended 30 June 2020. The decrease was primarily due to (i) the decrease in staff costs of approximately RMB7.9 million; (ii) the decrease in advertising and promotion expenses of approximately RMB10.0 million; and (iii) the decrease in logistics and handing expenses of approximately RMB6.8 million respectively.

Administrative and other expenses

Administrative and other expenses of the Group decreased by approximately 14.6% from approximately RMB332.3 million for the six months ended 30 June 2019 to approximately RMB283.9 million for the six months ended 30 June 2020. The decrease was mainly due to (i) decrease in share-based payment expenses of approximately RMB21.9 million and (ii) decrease in office utilities expense and management fee of approximately RMB17.2 million.

Net valuations 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 69.4% from approximately RMB1,967.5 million for the six months ended 30 June 2019 to approximately RMB601.1 million for the six months ended 30 June 2020. The decrease was primarily due to the decreased number of completed properties transferred to investment properties for rental purposes. 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 increased by approximately 65.9% from approximately RMB83.0 million for the six months ended 30 June 2019 to approximately RMB137.6 million for the six months ended 30 June 2020. The increase was mainly due to the increase of interest income from pledged bank deposits of Shenzhen Sinoagri.

Finance cost of the Group increased by approximately 0.2% from approximately RMB466.5 million for the six months ended 30 June 2019 to approximately RMB467.6 million for the six months ended 30 June 2020. There were no significant fluctuations compared with prior period.

Share of net profits/(losses) of associates

Share of net profits/(losses) of associates changed from a net loss of approximately RMB59.1 million for the six months ended 30 June 2019 to net profits of approximately RMB19.7 million for the six months ended 30 June 2020, which was mainly attributed to the profits from material associates of 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).

Management Discussion and Analysis (continued)

Share of net (losses)/profits of joint ventures

Share of net (losses)/profits of joint ventures of the Group changed from net profits of approximately RMB94,000 for the six months ended 30 June 2019 to net losses of approximately RMB1.5 million for the six months ended 30 June 2020. The share of net losses of joint ventures is primarily due to the Group's share of net losses of AP V-Best Supply Chain (Shanghai) Ltd. for the six months ended 30 June 2020.

Income tax

Income tax decreased by approximately 59.1% from approximately RMB521.9 million for the six months ended 30 June 2019 to approximately RMB213.6 million for the six months ended 30 June 2020. The decrease was mainly due to the decrease in deferred tax as a result of the decrease of net valuation gain from investment properties for the six months ended 30 June 2020.

Profit for the period

For the six months ended 30 June 2020, the Group recorded a net profit of approximately RMB281.1 million. Profit attributable to equity shareholders of the Company for the six months ended 30 June 2020 was approximately RMB290.8 million, representing a decrease of approximately 14.6% over the amount of approximately RMB340.5 million for the six months ended 30 June 2019.

Liquidity and capital resources

As at 30 June 2020, the Group had net current liabilities of approximately RMB6,405.5 million (31 December 2019: approximately RMB2,405.0 million) and net assets of approximately RMB19,967.7 million (31 December 2019: approximately RMB19,622.5 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. As at 30 June 2020, the Group's equity attributable to equity shareholders of the Company amounted to approximately RMB19,431.6 million (31 December 2019: approximately RMB19,079.0 million), comprising issued capital of approximately RMB32.7 million (31 December 2019: approximately RMB32.7 million) and reserves of approximately RMB19,398.9 million (31 December 2019: approximately RMB19,046.3 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. The Group's cash and cash equivalents decreased by approximately 5.2% from approximately RMB1,243.9 million as at 31 December 2019 to approximately RMB1,179.3 million as at 30 June 2020. There were no significant fluctuations compared with the amount as at 31 December 2019. The Group regularly and closely monitors its funding and treasury position to meet the funding requirements of the Group by taking into consideration the changes in economic conditions, its future capital requirements and projected strategic investment opportunities.

Management Discussion **and Analysis (continued)**

Interest-bearing borrowings

The Group's total interest-bearing borrowings increased by approximately 28.7% from approximately RMB18,490.6 million as at 31 December 2019 to approximately RMB23,792.6 million as at 30 June 2020. Majority of the loans were denominated in RMB, being the functional currency of the Group. For details of the interest rates and the maturity profile of borrowings during the six months ended 30 June 2020, please refer to note 18 of this report.

Net gearing ratio

The Group's net gearing ratio increased from approximately 65.8% as at 31 December 2019 to approximately 77.4% as at 30 June 2020. The increase in net gearing ratio was mainly due to the increase in total amount of interest-bearing borrowings to strengthen the Group's operating capacity. The net gearing ratio is calculated by dividing interest-bearing borrowings and lease liabilities 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 30 June 2020, 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 2020, the Group had pledged certain of its assets with a total book value of approximately RMB34,275.0 million (31 December 2019: approximately RMB28,386.6 million) and a total book value of approximately RMB9,285.3 million (31 December 2019: approximately RMB6,923.5 million) for the purpose of securing certain of the Group's borrowings and bills payables respectively.

Material acquisitions and disposals of subsidiaries, associated companies and/or joint ventures

The Group did not have any material acquisitions and disposals of subsidiaries, associated companies and/or joint ventures for the six months ended 30 June 2020.

Significant investments held

Particulars of major properties (Investment Properties) of the Group as at 30 June 2020 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.

Segment reporting

Details of the segment reporting of the Group for the six months ended 30 June 2020 are set out in note 3 of this report.

Contingent liabilities

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

As at 30 June 2020, the guarantees in relation to mortgage facilities granted to purchasers of the Group's properties amounted to approximately RMB511.0 million (31 December 2019: approximately RMB514.7 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 2020. For details, please refer to note 2 of this report.

EVENT SUBSEQUENT TO END OF REPORTING PERIOD

On 3 July 2020, Wuhan North Hankou Trade Market Investment Co., Ltd. ("North Hankou Trade Market") and Zall Investment Group Co., Ltd. ("Zall Investment Group"), both of which are wholly-owned subsidiaries of the Company, entered into a supplemental agreement with Jiangsu Eastide Group Co., Ltd. ("Jiangsu Eastide"), pursuant to which North Hankou Trade Market and Zall Investment Group agree to waive the rent payable for the period from 1 July 2020 to 31 December 2020 by Jiangsu Eastide as Jiangsu Eastide has indicated that its business operations were not as good as expected and were seriously affected by the outbreak of the COVID-19 pandemic and has expressed its difficulties in fulfilling the original rental payment term of the lease agreement. The total rent waived would amount to approximately RMB231,850,000. No adjustment has been made in this interim financial report in this regard. For further details of the abovementioned rental waiver, please refer to the announcement of the Company dated 3 July 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group employed a total of 1,944 full time employees (30 June 2019: 2,102). Remuneration for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the six months ended 30 June 2020, the employees benefit expenses were approximately RMB155.3 million (for the six months ended 30 June 2019: approximately RMB173.9 million). The decrease is due to (i) the concessionary policy on retirement plans issued by the local PRC government resulting the decrease of contributions to defined contribution retirement plans; and (ii) the decrease of equity-settled share-based payment expenses. The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses, long term rewards and continuous professional training, 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, 63,147,950 share options were outstanding as at 30 June 2020.

Disclosure of **Other Information**

SHARE OPTION SCHEME

Pursuant to the sole shareholder's resolutions of the Company on 20 June 2011, the Company has adopted a Share Option Scheme for the purpose of providing incentives and rewards to Eligible Participants (as defined in paragraph 2 below) who contribute to the success of the Group's operations.

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 recognize 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 optimize 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

The maximum number of shares which may be issued upon exercise of options which may be granted under the Share Option Scheme shall not in aggregate exceed 1,050,000,000 shares, representing approximately 8.91% of the issued shares of the Company as at the date of this report. As at the date of this report, the number of shares available for issue under the Share Option Scheme amounted to 986,852,050 shares, representing approximately 8.38% of the issued shares of the Company.

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 will remain in force for a period of 10 years, commencing on 20 June 2011.

Disclosure of
Other Information (continued)

10. Movement of Share Options during the period under review

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 2020 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	Balance as at 1 January 2020	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Balance as at 30 June 2020	Price per Share immediately before the date of grant	Price per Share on exercise date
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)*	2,100,000	–Nil–	–Nil–	–Nil–	(900,000)	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)*
Mr. Cui Jinfeng	4 September 2018	HK$6.66	*(Note 2)*	1,400,000	–Nil–	–Nil–	–Nil–	(600,000)	800,000	HK$6.52	N/A *(Note 3)*
Ms. Min Xueqin	4 September 2018	HK$6.66	*(Note 2)*	1,400,000	–Nil–	–Nil–	–Nil–	(600,000)	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)*	26,320,000	–Nil–	–Nil–	–Nil–	(11,640,000)	14,680,000	HK$6.52	N/A *(Note 3)*
Total				76,887,950	–Nil–	–Nil–	–Nil–	(13,740,000)	63,147,950		

Notes:

1. Such Share Options shall be exercisable upon fulfillment of certain financial performance targets set out in the respective letters of 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.

2. Subject to fulfillment of certain financial performance targets set out in the respective letters of grant, these Share Options shall be exercisable in the following manner:

   (i) 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;

(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.

3. No Share Options had been exercised during the six months ended 30 June 2020.

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 2020 and there were no Share Options granted during the six months ended 30 June 2020.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

CHANGES IN INFORMATION OF DIRECTORS

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

1. Mr. Wei Zhe, David ceased to act as a non-executive director of Zhong Ao Home Group Limited, which is listed on the Hong Kong Stock Exchange, in June 2020.

2. Mr. Cheung Ka Fai's remuneration was revised to HK$480,000 per annum with effect from April 2020.

3. Mr. Zhu Zhengfu ceased to act as an independent director of Wuhan Sante Cableways Group Co. Ltd., which is listed on the Shenzhen Stock Exchange, in May 2020.

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 2020, 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 2020[6]
Yan Zhi	Interest of a controlled corporation	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%
Cui Jinfeng	Beneficial owner	4,412,500 (L)[2]	0.04%
Wei Zhe, David	Interest of a controlled corporation	132,144,000 (L)[3]	1.12%
		132,144,000 (S)[3]	1.12%
	Beneficial owner	10,746,000 (L)	0.09%
		10,746,000 (S)	0.09%
Qi Zhiping	Beneficial owner	5,886,351 (L)[4](a)	0.05%
	Interest of spouse	48,664,298 (L)[4](b)	0.41%
Min Xueqin	Beneficial owner	1,915,000 (L)[5]	0.02%

(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) These interests comprise 3,612,500 shares and 800,000 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 Scheme".

(3) 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.

(4) (a) These interests comprise 2,402,953 shares and 3,483,398 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 Scheme".

(b) These interests comprise 7,563,144 shares and 41,101,154 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 Scheme".

(5) These interests comprise 1,115,000 shares and 800,000 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 Scheme".

(6) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2020 (11,782,825,800 ordinary shares).

Save as disclosed above, as at 30 June 2020, 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 2020, 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 2020[4]
Substantial shareholder			
Zall Development Investment	Beneficial owner	6,609,022,268 (L) [1]	56.09%
Other persons			
Mr. Ji Changqun	Interest of controlled corporation	1,009,453,000 (L) [2]	8.57%
Magnolia Wealth International Limited	Interest of controlled corporation	1,009,453,000 (L) [2]	8.57%
Fullshare Holdings Limited	Interest of controlled corporation	1,009,453,000 (L) [2]	8.57%
Rich Unicorn Holdings Limited	Beneficial owner	1,009,453,000 (L) [2]	8.57%
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation	685,689,000 (L) [3]	5.82%
Huarong Huaqiao Asset Management Co., Ltd.	Interest of controlled corporation	685,689,000 (L) [3]	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 1,009,453,000 shares are held by Rich Unicorn Holdings Limited, a company which is wholly owned by Fullshare Holdings Limited, which in turn is owned as to approximately 38.69% by Magnolia Wealth International Limited, which in turn is wholly owned by Mr. Ji Changqun.

(3) 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.

(4) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2020 (11,782,825,800 ordinary shares).

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

There was a duplication of interest of 1,009,453,000 shares among Rich Unicorn Holdings Limited, Fullshare Holdings Limited, Magnolia Wealth International Limited and Mr. Ji Changqun.

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 2020, the Company had not been notified by any person, other than a Director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its corporate governance code of practices. In the opinion of the Board, the Company had complied with all the code provisions as set out in the CG Code throughout the six months ended 30 June 2020.

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 2020. 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 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, 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 2020, except North Hankou Zall Life City — Phase II, all of the Remaining Non-core Projects (as defined in the Restructuring Circular) have been disposed. North Hankou Zall Life City — Phase II is a residential project with gross floor area of approximately 207,000 square meters 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 2020, approximately 118,000 square meters were sold and the construction is expected to be completed in 2020.

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 2020 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 2020 and has also reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters of the Group.

The Audit Committee 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 fulfill 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 2019 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 29 April 2020, 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 2020 (six months ended 30 June 2019: 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. Cui Jinfeng and Ms. Min Xueqin; 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 2020

Consolidated Statement of **Profit or Loss**

For the six months ended 30 June 2020 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2020 RMB'000	2019 RMB'000
Revenue	3(a)	**35,763,064**	34,722,958
Cost of sales		**(35,201,653)**	(34,096,482)
Gross profit		**561,411**	626,476
Other net income/(loss)	4	**62,112**	(808,439)
Selling and distribution expenses		**(69,909)**	(102,936)
Administrative and other expenses		**(283,891)**	(332,276)
Impairment loss on trade and other receivables		**(48,417)**	(73,580)
Impairment loss on goodwill		**(15,876)**	–
Gain/(loss) from operations before changes in fair value of investment properties		**205,430**	(690,755)
Net valuation gain on investment properties	8	**601,070**	1,967,478
Profit from operations		**806,500**	1,276,723
Finance income	5(a)	**137,624**	82,968
Finance costs	5(a)	**(467,640)**	(466,510)
Share of net profits/(losses) of associates		**19,680**	(59,127)
Share of net (losses)/profits of joint ventures		**(1,472)**	94
Profit before taxation	5	**494,692**	834,148
Income tax	6	**(213,629)**	(521,946)
Profit for the period		**281,063**	312,202
Attributable to:			
Equity shareholders of the Company		**290,798**	340,528
Non-controlling interests		**(9,735)**	(28,326)
Profit for the period		**281,063**	312,202
Earnings per share (RMB cents)			
Basic	7(a)	**2.47**	2.91
Diluted	7(b)	**2.47**	2.91

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 note 20(a).

Consolidated Statement of Profit or Loss and
Other Comprehensive Income

For the six months ended 30 June 2020 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Profit for the period		**281,063**	312,202
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 loss of an associate		**(915)**	–
Exchange differences on translation of:			
— financial statements of operations outside Mainland China		**6,393**	(5,888)
Other comprehensive income/(loss) for the period		**5,478**	(5,888)
Total comprehensive income for the period		**286,541**	306,314
Attributable to:			
Equity shareholders of the Company		**296,154**	334,583
Non-controlling interests		**(9,613)**	(28,269)
Total comprehensive income for the period		**286,541**	306,314

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

Consolidated Statement of **Financial Position**

At 30 June 2020 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Investment properties	*8*	**30,513,526**	29,168,628
Property, plant and equipment	*9*	**320,401**	331,515
Intangible assets		**696,047**	715,058
Goodwill	*10*	**1,035,728**	990,637
Interests in associates		**495,199**	460,936
Interests in joint ventures		**23,056**	24,279
Equity investments at fair value through other comprehensive income		**8,702**	8,702
Contract assets	*11(a)*	**342,145**	339,388
Deferred tax assets		**255,419**	247,611
		33,690,223	32,286,754
Current assets			
Financial assets at fair value through profit or loss	*12*	**5,207,533**	4,794,964
Inventories	*13*	**5,558,888**	5,833,647
Prepaid taxes		**20,026**	20,538
Trade and other receivables	*14*	**14,283,182**	11,733,935
Amounts due from related parties	*24(c)*	**508,612**	820,919
Fixed deposits with banks with original maturity over three months		**30,015**	30,014
Pledged bank deposits	*15*	**7,565,420**	4,680,345
Cash and cash equivalents	*16*	**1,179,313**	1,243,944
		34,352,989	29,158,306
Non-current assets held for sale		**44,179**	44,179
		34,397,168	29,202,485
Current liabilities			
Financial liabilities at fair value through profit or loss	*12*	**88,383**	315,674
Trade and other payables	*17*	**15,294,072**	13,609,439
Contract liabilities	*11(b)*	**2,596,841**	3,054,538
Lease liabilities		**11,204**	13,531
Amounts due to related parties	*24(c)*	**22,390**	95,072
Interest-bearing borrowings	*18*	**22,217,664**	14,017,079
Current taxation		**572,083**	502,170
		40,802,637	31,607,503
Net current liabilities		**(6,405,469)**	(2,405,018)
Total assets less current liabilities		**27,284,754**	29,881,736

Consolidated Statement of **Financial Position (continued)**

At 30 June 2020 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current liabilities			
Interest-bearing borrowings	*18*	**1,574,913**	4,473,534
Deferred income		**9,625**	8,612
Lease liabilities		**11,291**	12,190
Amounts due to related parties	*24(c)*	**192,758**	373,230
Deferred tax liabilities		**5,528,456**	5,391,696
		7,317,043	10,259,262
NET ASSETS		**19,967,711**	19,622,474
CAPITAL AND RESERVES			
Share capital	*20*	**32,733**	32,733
Reserves		**19,398,895**	19,046,261
Total equity attributable to equity shareholders of the Company		**19,431,628**	19,078,994
Non-controlling interests		**536,083**	543,480
TOTAL EQUITY		**19,967,711**	19,622,474

Approved and authorised for issue by the Board of Directors on 31 August 2020.

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

Cui Jinfeng
Executive Director

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 2020 — unaudited

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company												
	Share capital RMB'000	Share premium RMB'000	Shares held for various incentive plans RMB'000	PRC statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Revaluation reserve RMB'000	Equity-settled share-based payment reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	32,437	4,524,302	(396,687)	450,439	154,664	(145,920)	36,946	221,077	(2,848)	13,905,182	18,779,592	829,221	19,608,813
Changes in equity for the six months ended 30 June 2019													
Profit for the period	–	–	–	–	–	–	–	–	–	340,528	340,528	(28,326)	312,202
Other comprehensive income:													
Exchange differences on translation of financial statements of operations outside Mainland China	–	–	–	–	–	(5,945)	–	–	–	–	(5,945)	57	(5,888)
Total comprehensive income	–	–	–	–	–	(5,945)	–	–	–	340,528	334,583	(28,269)	306,314
Acquisition of non-controlling interest of subsidiaries	296	172,066	–	–	(13,112)	–	–	–	–	–	159,250	(125,348)	33,902
Appropriation to statutory reserve	–	–	–	41,080	–	–	–	–	–	(41,080)	–	–	–
Equity-settled share-based payment for employee	–	(21,536)	26,633	–	(7,718)	–	–	3,225	–	–	604	7,718	8,322
Equity-settled share-based payment for non-employee	–	(8,430)	69,868	–	–	–	–	(39,226)	–	–	22,212	–	22,212
Capital injection from non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	1,479	1,479
Balance at 30 June 2019	32,733	4,666,402	(300,186)	491,519	133,834	(151,865)	36,946	185,076	(2,848)	14,204,630	19,296,241	684,801	19,981,042
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

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 2020 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2020	2019
	Note	**RMB'000**	RMB'000
Operating activities			
Cash (used in)/generated from operations		**(1,358,115)**	58,240
Income tax paid		**(14,252)**	(20,564)
Net cash (used in)/generated from operating activities		**(1,372,367)**	37,676
Investing activities			
Payment for the purchase of property, plant and equipment and investment properties		**(65,068)**	(6,582)
Payment for the purchase of intangible assets		**(8,711)**	(25,268)
Proceeds from disposal of property, plant and equipment		**1,237**	1,535
Proceeds from disposal of intangible assets		**–**	414
Maturity of fixed deposits at banks with original maturity over three months		**–**	202,958
Interest received		**30,874**	41,453
Cash (paid for)/generated from acquisition of subsidiaries		**(52,814)**	177
Cash received from disposal of subsidiaries		**24,574**	–
Payment for investment in an associate		**(10,000)**	(4,000)
Payment for investment in joint ventures		**(249)**	(1,155)
Cash receipt from maturity of wealth management products and trust products		**1,798,378**	1,387,308
Purchase of wealth management products and trust products		**(2,394,227)**	(1,395,930)
Cash receipt from settlement of forward contracts		**5,041**	–
Payment for the purchase of forward contracts		**(12,779)**	–
Advance to related parties		**(613,526)**	(785,670)
Repayment from related parties		**925,833**	807,285
Net cash (used in)/generated from investing activities		**(371,437)**	222,525

Condensed Consolidated
Cash Flow Statement (continued)

For the six months ended 30 June 2020 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Financing activities			
Advance from related parties		**22,198**	3,921
Repayment to related parties		**(258,594)**	(330,810)
Proceeds from new bank loans and loans from other financial institutions		**11,058,851**	3,528,972
Repayment of bank loans and loans from other financial institutions		**(3,324,721)**	(3,718,031)
Proceeds from other loans		**1,995,196**	2,947,322
Repayment of other loans		**(4,444,120)**	(1,855,464)
Increase in pledged bank deposits		**(2,885,075)**	(101,187)
Interest and other borrowing costs paid		**(528,203)**	(532,125)
Proceeds from capital injection from non-controlling interests		**50,000**	1,479
Capital element of lease rentals paid		**(7,897)**	(9,766)
Interest element of lease rentals paid		**(232)**	(345)
Net cash generated from/(used in) financing activities		**1,677,403**	(66,034)
Net (decrease)/increase in cash and cash equivalents		**(66,401)**	194,167
Cash and cash equivalents at 1 January	*16*	**1,243,944**	1,118,626
Effect of foreign exchange rate changes		**1,770**	216
Cash and cash equivalents at 30 June	*16*	**1,179,313**	1,313,009

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

1 BASIS OF PREPARATION

This 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 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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 2019 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 2019 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 2019 are available from the Company's registered office. In the auditor's report dated 29 April 2020, 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 2020, the Group had net current liabilities of RMB6,405,469,000 (31 December 2019: RMB2,405,018,000). 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.

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.

In addition, as disclosed in note 18, bank loans and loans from other financial institutions of RMB11,732,166,000 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 2020 (31 December 2019: RMB10,195,942,000). 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 2020 have 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").

Notes to
the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3, *Definition of a Business*

- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*

- Amendments to IAS 1 and IAS 8, *Definition of Material*

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 except for the amendment to IFRS 16, *Leases, Covid-19-Related Rent Concessions*, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 9). There is no impact on the opening balance of equity at 1 January 2020.

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	
	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service lines		
— Revenue from sales of properties and related services	**255,470**	89,010
— Revenue from supply chain management and trading business	**34,956,298**	34,077,554
— Revenue from E-commerce and financial services business	**–**	43,103
— Revenue from construction contracts	**2,757**	2,118
— Others	**112,364**	1,400
	35,326,889	34,213,185
Revenue from other sources		
Gross rentals from investment properties		
— Lease payments that are fixed	**343,150**	354,514
Financing income	**36,622**	97,667
Others	**56,403**	57,592
	35,763,064	34,722,958

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.

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 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB552,378,000 (31 December 2019: RMB767,646,000). 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 2019: 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 three 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.

— E-commerce and financial services: this segment provides financial services including supply chain finance, guarantees, financial leasing, factoring and assets management.

— 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.

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.

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 2020 and 2019 is set out below.

	Property development and related services		E-commerce and financial services		Supply chain management and trading		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
For the six months ended 30 June								
Disaggregated by timing of revenue recognition								
Point in time	**243,420**	59,713	**–**	43,103	**34,890,557**	34,077,554	**35,133,977**	34,180,370
Overtime	**414,360**	443,521	**–**	21,793	**102,363**	75,874	**516,723**	541,188
Revenue from external customers and reportable segment revenue	**657,780**	503,234	**–**	64,896	**34,992,920**	34,153,428	**35,650,700**	34,721,558
Reportable segment profit/(loss)	**278,891**	191,035	**(77)**	(10,996)	**(98,712)**	(36,051)	**180,102**	143,988
Net valuation gain on investment properties	**601,070**	1,967,478	**–**	–	**–**	–	**601,070**	1,967,478
Finance income	**1,268**	548	**–**	103	**136,347**	82,316	**137,615**	82,967
Finance costs	**(239,751)**	(218,329)	**(4)**	(3,757)	**(227,447)**	(244,146)	**(467,202)**	(466,232)
Depreciation and amortisation	**(6,509)**	(7,261)	**–**	(1,114)	**(23,906)**	(42,435)	**(30,415)**	(50,810)
Share of net losses of associates	**–**	–	**–**	(57,980)	**(1,114)**	(1,147)	**(1,114)**	(59,127)
Share of net (losses)/profits of joint ventures	**–**	–	**–**	–	**(1,472)**	94	**(1,472)**	94
Additions to non-current segment assets	**6,287**	1,388	**–**	11,898	**24,871**	24,130	**31,158**	37,416
As at 30 June/31 December								
Reportable segment assets	**38,898,329**	38,209,729	**309,470**	534,420	**27,352,680**	21,088,026	**66,560,479**	59,832,175
Reportable segment liabilities	**15,637,555**	12,777,839	**143,229**	368,090	**26,642,553**	20,668,400	**42,423,337**	33,814,329

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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	
	2020	2019
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**35,650,700**	34,721,558
Other revenue	**112,364**	1,400
Consolidated revenue *(note 3(a))*	**35,763,064**	34,722,958
Profit		
Reportable segment profit derived from the Group's external customers	**180,102**	143,988
Other net income/(loss)	**62,112**	(808,439)
Net valuation gain on investment properties	**601,070**	1,967,478
Finance income	**137,624**	82,968
Finance costs	**(467,640)**	(466,510)
Share of net profits/(losses) of associates	**19,680**	(59,127)
Share of net (losses)/profits of joint ventures	**(1,472)**	94
Unallocated head office and corporate expenses	**(36,784)**	(26,304)
Consolidated profit before taxation	**494,692**	834,148

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 an associates and joint ventures.

	Revenue from external customers		Specified non-current assets	
	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000	**30 June 2020 RMB'000**	31 December 2019 RMB'000
PRC	**29,524,870**	34,000,870	**33,078,255**	31,683,293
Singapore	**5,959,792**	722,088	**5,702**	7,760
Others	**278,402**	–	**–**	–
	35,763,064	34,722,958	**33,083,957**	31,691,053

The geographical analysis above includes property rental income from external customers in Mainland China for the six months ended 30 June 2020 of RMB399,553,000 (six months ended 30 June 2019: RMB412,106,000).

4 OTHER NET INCOME/(LOSS)

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Net fair value changes on financial instruments at fair value through profit or loss		
— listed equity securities	**(20,838)**	(697,900)
— wealth management products and trust products	**64,183**	112,058
— forward contracts	**260**	–
— contingent consideration	**(9,034)**	(218,409)
— convertible redeemable preference shares of a subsidiary	**315**	(10,442)
Government subsidies	**21,956**	3,482
Net gain on the dilution of interests in an associate	**1,406**	–
Others	**3,864**	2,772
	62,112	(808,439)

5 PROFIT BEFORE TAXATION

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

(a) Finance (income)/costs

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Finance income		
Interest income	**(137,624)**	(82,968)
Finance costs		
Interest on interest-bearing borrowings	**653,732**	580,079
Interest on lease liabilities	**232**	345
Other borrowing costs	**12,047**	4,074
Less: Amounts capitalised into properties under development and investment properties under development	**(212,000)**	(137,428)
	454,011	447,070
Bank charge and others	**14,353**	19,088
Net foreign exchange (gain)/loss	**(724)**	352
	467,640	466,510

(b) Staff costs

Salaries, wages and other benefits	**137,916**	131,809
Contributions to defined contribution retirement plans	**11,306**	20,610
Equity-settled share-based payment expenses	**6,110**	21,442
	155,332	173,861

(c) Other items

Amortisation	**27,722**	28,669
Depreciation		
— owned property, plant and equipment	**15,902**	16,224
— right-of-use assets	**7,511**	6,410
Research and development costs (other than amortisation)	**11,945**	18,843
Impairment losses		
— trade debtors and bill receivables	**49,334**	77,373
— loans and factoring receivables	**(917)**	(3,793)
Operating lease charges	**6,924**	8,704
Cost of construction contract	**2,757**	2,118
Cost of commodities sold	**34,824,017**	33,874,833
Cost of properties sold	**192,056**	79,715

6 INCOME TAX

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current tax		
PRC Corporate Income Tax ("PRC CIT")	**73,772**	60,514
PRC Land Appreciation Tax ("PRC LAT")	**10,905**	5,270
	84,677	65,784
Deferred tax		
Origination and reversal of temporary differences	**128,952**	456,162
	213,629	521,946

(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 2020 and 2019.

(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 2020, 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 2020. 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 2020. 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 2020 under the PRC Corporate Income Tax Law which was enacted on 16 March 2007.

6 INCOME TAX *(Continued)*

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

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

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

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

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

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB290,798,000 (six months ended 30 June 2019: RMB339,206,000) and the weighted average of 11,754,792,000 ordinary shares (adjusted for ordinary shares issued for Management Share Award Scheme and VKC Consultancy Service Consideration Shares) in issue during the six months ended 30 June 2020 (six months ended 30 June 2019: 11,648,234,000).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares issued for the six months ended 30 June 2020 and 2019, and therefore, diluted earnings per share are the same as the basic earnings per share for the six months ended 30 June 2020 and 2019.

8 INVESTMENT PROPERTIES

During the six months ended 30 June 2020, the Group transferred certain completed properties held for sale and properties under development for sale to investment properties since there was a change in use from sale to earning rental income purpose.

The Group's investment properties carried at fair value were revalued as at 30 June 2020 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 2019 valuations.

As a result of the update, a net fair value gain of RMB601,070,000 (six months ended 30 June 2019: RMB1,967,478,000), and deferred tax thereon of RMB150,268,000 (six months ended 30 June 2019: RMB491,870,000), has been recognised in profit or loss in respect of investment properties.

As at 30 June 2020, the Group's investment properties and investment properties under development with an aggregated carrying value of RMB24,128,231,000 (31 December 2019: RMB22,122,984,000) 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 2020, 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 RMB4,671,000.

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. The amount of fixed lease payments for the interim reporting period is summarised below:

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

	Six months ended 30 June 2019		
	Fixed payments RMB'000	COVID-19 rent concessions RMB'000	Total payments RMB'000
Office premises and warehouses	10,111	–	10,111

9 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As disclosed in note 2, the Group has early adopted the Amendment to IFRS 16, Leases, 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 period.

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with aggregate costs of RMB9,025,000 (six months ended 30 June 2019: RMB7,634,000), of which aggregate costs of RMB997,000 (six months ended 30 June 2019: RMB1,052,000) was from business combination.

Items of property, plant and equipment with net book value of RMB1,123,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB1,924,000), resulting in a gain on disposal of RMB114,000 (six months ended 30 June 2019: a loss of RMB389,000).

As at 30 June 2020, the ownership certificates for certain buildings with net book value of RMB21,167,000 have not been obtained (31 December 2019: RMB16,029,000).

As at 30 June 2020, the Group's buildings with carrying value of RMB145,703,000 (31 December 2019: RMB98,225,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

10 GOODWILL

	RMB'000
Cost	
At 1 January 2019	1,713,070
Additions through business combination	12,705
Disposal of subsidiaries	(15,783)
At 31 December 2019 and 1 January 2020	1,709,992
Additions through business combination	60,967
At 30 June 2020	1,770,959
Accumulated impairment losses:	
At 1 January 2019	(461,028)
Impairment loss recognised	(258,327)
At 31 December 2019 and 1 January 2020	(719,355)
Impairment loss recognised	(15,876)
At 30 June 2020	(735,231)
Carrying amount:	
At 31 December 2019	990,637
At 30 June 2020	1,035,728

Affected by COVID-19 pandemic, the financial performance of HSH International Inc. ("HSH") has been lowered than expectation in the first half of 2020. As a result, the impairment loss of RMB15,876,000 related to the CGU — HSH was recognised during the six months ended 30 June 2020 as it has been reduced to its recoverable amount as at 30 June 2020. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

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11 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	30 June 2020 RMB'000	31 December 2019 RMB'000
Contract assets		
Arising from performance under construction contracts	**342,145**	339,388
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" *(note 14)*	**2,663,604**	2,886,354

The amount of contract assets that is expected to be recovered more than one year is RMB342,145,000 as at 30 June 2020 (31 December 2019: RMB339,388,000).

(b) Contract liabilities

	30 June 2020 RMB'000	31 December 2019 RMB'000
Property development and related services		
— Forward sales deposits and instalments received	**382,667**	634,834
Supply chain management and trading		
— Deposits received from third parties	**2,118,307**	2,388,312
— Deposits received from related parties	**30,339**	–
Others		
— Deposits received	**65,528**	31,392
	2,596,841	3,054,538

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
Financial assets at fair value through profit or loss		
Listed equity securities in Hong Kong		
— Fullshare Holdings Limited	**76,113**	95,287
Derivative financial instrument		
— Wealth management products and trust products (i)	**4,874,578**	4,214,546
— Forward contracts	**76,255**	295,525
Contingent consideration		
— acquisition of Shenzhen Sinoagri E-commerce Co., Ltd. ("Shenzhen Sinoagri") (ii)	**173,554**	182,575
— acquisition of HSH (iii)	**7,033**	7,031
	5,207,533	4,794,964
Financial liabilities at fair value through profit or loss — current		
Forward contracts	**68,257**	295,525
Contingent consideration — acquisition of HSH (iii)	**891**	876
Convertible redeemable preference shares (iv)	**19,235**	19,273
	88,383	315,674

(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 RMB3,807,977,000 (31 December 2019: RMB3,432,913,000) and RMB1,008,550,000 (31 December 2019: RMB761,582,000) 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 RMB173,554,000 as at 30 June 2020 (31 December 2019: RMB182,575,000). 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.

(iii) The amount represents the contingent consideration of acquisition of HSH. The amount is generated as a result of part of the consideration of the acquisition which depends on the post-acquisition financial performance of HSH.

(iv) Convertible redeemable preference shares were issued by HSH. At the option of the holder, the convertible redeemable preference shares can be converted at any time into ordinary shares of HSH based on pre-determined conversion price, subject to certain anti-dilution adjustments. The convertible redeemable preference shares are redeemable upon occurrence of certain future events and at the option of the holders. The Group did not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period as at 30 June 2020.

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13 INVENTORIES

	30 June 2020 RMB'000	31 December 2019 RMB'000
Properties under development for sale	**3,811,783**	4,408,248
Completed properties held for sale	**1,134,032**	1,087,975
Commodities	**613,073**	337,424
	5,558,888	5,833,647

As at 30 June 2020, properties under development for sale with an aggregate carrying value of RMB638,962,000 (31 December 2019: RMB1,407,013,000) and completed properties held for sale with an aggregate carrying value of RMB107,424,000 (31 December 2019: RMB217,909,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

14 TRADE AND OTHER RECEIVABLES

	30 June 2020 RMB'000	31 December 2019 RMB'000
Trade debtors and bills receivables, net of loss allowance	**8,953,392**	5,654,627
Loans and factoring receivables, net of loss allowance	**1,151,276**	1,409,208
	10,104,668	7,063,835
Advances to suppliers	**2,465,764**	2,893,150
Other receivables, deposits and prepayments	**1,712,750**	1,776,950
	14,283,182	11,733,935

As at 30 June 2020, trade debtors and bills receivables of RMB31,069,000 (31 December 2019: RMB28,029,000) and other receivables of RMB8,000,000 (31 December 2019: RMB8,000,000) were pledged as collateral for the Group's interest-bearing borrowings (note 18).

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 2020 RMB'000	31 December 2019 RMB'000
Within 6 months	**6,709,005**	3,865,388
6 to 12 months	**1,743,241**	1,032,370
Over 12 months	**501,146**	756,869
	8,953,392	5,654,627

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 2020 RMB'000	31 December 2019 RMB'000
Secured loans receivable, net of loss allowance (i)	**1,070,800**	1,377,962
Unsecured loans receivable, net of loss allowance	**291**	3,884
Factoring receivables, net of loss allowance	**80,185**	27,362
	1,151,276	1,409,208

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

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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 2020 RMB'000	31 December 2019 RMB'000
Within 6 months	**495,050**	1,122,268
6 to 12 months	**396,479**	47,235
Over 12 months	**259,747**	239,705
	1,151,276	1,409,208

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 2020 RMB'000	31 December 2019 RMB'000
Secured for bank loans	*18*	**2,000,835**	1,186,593
Secured for letter of credit and bills payables	*17*	**5,477,371**	3,390,862
Secured for a bank loan of a third party		**–**	30,000
Others		**87,214**	72,890
		7,565,420	4,680,345

16 CASH AND CASH EQUIVALENTS

	30 June 2020 RMB'000	31 December 2019 RMB'000
Cash at bank and on hand	**1,179,313**	1,243,944

At 30 June 2020, cash and cash equivalents and pledged bank deposits with aggregate amount of RMB8,608,818,000 (31 December 2019: RMB5,747,337,000) 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.

17 TRADE AND OTHER PAYABLES

	30 June 2020 RMB'000	31 December 2019 RMB'000
Trade and bills payables (i)	**12,231,806**	10,522,064
Receipts in advance (ii)	**231,558**	268,324
Other payables and accruals	**2,830,708**	2,819,051
	15,294,072	13,609,439

(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 2020 RMB'000	31 December 2019 RMB'000
Within 6 months	**6,928,909**	6,654,358
Over 6 months but within 12 months	**4,369,292**	3,006,755
Over 12 months	**933,605**	860,951
	12,231,806	10,522,064

(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 2020 RMB'000	31 December 2019 RMB'000
Pledged bank deposits	**5,477,371**	3,390,862
Wealth management products and trust products	**3,807,977**	3,432,913
Investment properties	**–**	98,965
Completed properties held for sale	**–**	724
	9,285,348	6,923,464

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18 INTEREST-BEARING BORROWINGS

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

	Note	30 June 2020 RMB'000	31 December 2019 RMB'000
Current			
Bank loans and loans from other financial institutions	*18(a)*	**13,465,347**	8,429,172
Other loans	*18(b)*	**2,526,079**	3,028,413
Loans from an entity controlled by Ultimate Controlling Party	*18(c)*	**20,000**	–
Loans from a joint venture		**–**	3,242
Discounted bank acceptance bills	*18(d)*	**6,206,238**	2,556,252
		22,217,664	14,017,079
Non-current			
Bank loans and loans from other financial institutions	*18(a)*	**1,258,371**	2,210,402
Other loans	*18(b)*	**316,542**	2,263,132
		1,574,913	4,473,534
		23,792,577	18,490,613

(a) Bank loans and loans from other financial institutions

At 30 June 2020, the bank loans and loans from other financial institutions were repayable as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Within 1 year or on demand	**13,465,347**	8,429,172
After 1 year but within 2 years	**631,459**	1,252,047
After 2 years but within 5 years	**563,912**	845,355
After 5 years	**63,000**	113,000
	1,258,371	2,210,402
	14,723,718	10,639,574

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 2020 RMB'000	31 December 2019 RMB'000
Secured/guaranteed	**11,732,166**	10,195,942
Unsecured	**2,991,552**	443,632
	14,723,718	10,639,574

(ii) At 30 June 2020, certain bank loans and loans from other financial institutions of RMB10,000,000 (31 December 2019: RMB5,000,000), RMB831,000,000 (31 December 2019: RMB544,000,000) and RMB1,067,543,000 (31 December 2019: RMB1,075,307,000) were guaranteed by a third party, related parties and the Group's subsidiaries, respectively. Certain bank loans and loans from other financial institutions of RMB9,933,623,000 (31 December 2019: RMB8,691,635,000) were secured by the following assets of the Group:

	Note	30 June 2020 RMB'000	31 December 2019 RMB'000
Pledged bank deposits		**2,000,835**	1,186,593
Trade receivables	*14*	**30,969**	25,679
Other receivables	*14*	**8,000**	8,000
Investment properties	*8*	**18,769,695**	17,982,982
Investment properties under development	*8*	**5,358,536**	4,140,002
Properties under development	*13*	**638,962**	1,407,013
Completed properties held for sale	*13*	**107,424**	217,909
Property, plant and equipment	*9*	**145,703**	98,225
Wealth management products and trust products	*12*	**1,008,550**	761,582
		28,068,674	25,827,985

(iii) Bank loans and loans from other financial institutions bear interest ranging from 1.95% to 12.20% per annum as at 30 June 2020 (31 December 2019: 3.95% to 14.00% per annum).

18 INTEREST-BEARING BORROWINGS *(Continued)*

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

(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 2020, bank loans and loans from other financial institutions of the Group of RMB5,453,451,000 (31 December 2019: RMB5,252,837,000) were not in compliance with the imposed covenants, of which RMB2,846,274,000 (31 December 2019: RMB3,361,864,000) the Group has obtained notices from the corresponding banks and other financial institutions, which confirmed that the respective subsidiaries of the Group would not be regarded as having breached the covenants and the banks and other financial institutions would not demand early repayment from the respective subsidiaries of the Group.

(b) Other loans

At 30 June 2020, other loans were repayable as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Within 1 year or on demand	**2,526,079**	3,028,413
After 2 years but within 5 years	**316,542**	2,263,132
	2,842,621	5,291,545

(i) As at 30 June 2020, other loans were secured as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Secured	**100**	2,350
Unsecured	**2,842,521**	5,289,195
	2,842,621	5,291,545

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18 INTEREST-BEARING BORROWINGS *(Continued)*

(b) Other loans *(Continued)*

(ii) As at 30 June 2020, bills receivables of RMB100,000 (31 December 2019: RMB2,350,000) was pledged to secure other loans.

(iii) Other loans bear interest ranging from 4.00% to 10.00% per annum as at 30 June 2020 (31 December 2019: 4.00% to 10.00%).

(c) Loans from an entity controlled by Ultimate Controlling Party are unsecured and bear interest of 10.00% per annum as at 30 June 2020.

(d) The Group has discounted bank acceptance bills of RMB6,206,238,000 as at 30 June 2020 (31 December 2019: RMB2,556,252,000). 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.

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
45,667,950		

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.

(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			
	2020		2019	
	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	16,205,792

As at 30 June 2020, the remaining contractual life of share option scheme is 7.5 years (31 December 2019: 8 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 2020, the total expense recognised in the consolidated statement of profit or loss for share options granted to the recipients is RMB4,385,000 (six months ended 30 June 2019: RMB11,167,000).

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS *(Continued)*

(b) Management Shares 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 2020 are as follows:

	Six months ended 30 June	
	2020	2019
Number of Management Shares granted but not yet vested at the beginning of the period	**5,315,390**	6,447,240
Vested during the period	**–**	(1,248,036)
Number of Management Shares granted but not yet vested at the end of the period	**5,315,390**	5,199,204

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 RMB1,715,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB4,457,000) with a corresponding increase in equity-settled share-based payment reserve within equity.

(c) VKC Consultancy Service Consideration Shares

As one of the conditions of the acquisition of Shenzhen Sinoagri, the Company entered into a consultancy agreement with Vision Knight Capital Management Company Limited ("VKC", a company incorporated in Cayman Islands with limited liability and a company controlled by Mr. Wei Zhe), pursuant to which VKC as the consultant will provide E-commerce development related services in PRC to the Company for a term of three years from 28 June 2017 at a consultancy fee which will be satisfied by the allotment and issue of 42,981,000 ordinary shares ("VKC Consultancy Service Consideration Shares") of the Company to VKC. The vesting of VKC Consultancy Service Consideration Shares is subject to the same vesting conditions of the Incentive Shares.

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS *(Continued)*

(c) VKC Consultancy Service Consideration Shares *(Continued)*

Movements in the number of shares granted for VKC Consultancy Service Consideration Shares for the six months ended 30 June 2020 are as follows:

	Six months ended 30 June	
	2020	2019
Number of shares granted but not yet vested at the beginning of the period	**25,788,600**	34,384,800
Vested during the period	**(25,788,600)**	(8,596,200)
Number of shares granted but not yet vested at the end of the period	**–**	25,788,600

The fair value of the granted shares is determined based on the market price of the Company's shares during the service rendering period and discount for lack of marketability, which is determined based on Asian put option pricing model. The Group recognised share based payment expenses of RMB2,586,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB9,106,000) with a corresponding increase in equity-settled share-based payment reserve within equity.

Share price determined at the measurement date	HKD4.92
Expiry date	30 April 2018, 2019, 2020, 2021 and 2022
Volatility	31.548% to 46.990%
Risk free rate	0.429% to 0.677%

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS *(Continued)*

(d) 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.

The terms and conditions of the grants are as follows:

Date granted	Vesting date	Expiry date	Number of shares option granted		Exercise price	Total
			Directors	Employee		
4 Sep 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 Sep 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 Sep 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			
	2020		2019	
	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**	**31,220,000**	6.66	48,700,000
Lapsed during the period	**6.66**	**(13,740,000)**	6.66	(15,800,000)
Outstanding at the end of the period	**6.66**	**17,480,000**	6.66	32,900,000
Exercisable at the end of the period	**–**	**–**	–	–

As at 30 June 2020, the weighted average remaining expected contractual life of share option scheme is 1.28 years (31 December 2019: 1.81 years).

(Expressed in Renminbi unless otherwise indicated)

19 EQUITY-SETTLED SHARE-BASED PAYMENTS *(Continued)*

(d) 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 2020 and 2019 as performance condition was not satisfied.

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 2020 and 2019.

(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 2020 and 2019.

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concerns 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 fixed deposits with banks with original maturity over three months, pledged bank deposits and cash and cash equivalents. Adjusted capital comprises all components of equity.

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

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 2020 RMB'000	31 December 2019 RMB'000
Current liabilities:		
Interest-bearing borrowings	**22,217,664**	14,017,079
Lease liabilities	**11,204**	13,531
Non-current liabilities:		
Interest-bearing borrowings	**1,574,913**	4,473,534
Lease liabilities	**11,291**	12,190
Total debt	**23,815,072**	18,516,334
Less: Fixed deposits with banks with original maturity over three months	**30,015**	30,014
Pledged bank deposits	**7,565,420**	4,680,345
Cash and cash equivalents	**1,179,313**	1,243,944
Adjusted net debt	**15,040,324**	12,562,031
Total equity attributable to equity shareholders of the Company	**19,431,628**	19,078,994
Adjusted net debt-to-capital ratio	**77.40%**	65.84%

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 markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 June 2020	Fair value measurements as at 30 June 2020 categorised into			Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements								
Assets:								
— Listed equity securities	**76,113**	**76,113**	**–**	**–**	95,287	95,287	–	–
— Wealth management products and trust products	**4,874,578**	**–**	**4,874,578**	**–**	4,214,546	14,000	4,200,546	–
— Forward contracts	**76,255**	**7,998**	**68,257**	**–**	295,525	–	295,525	–
— Contingent consideration	**180,587**	**–**	**–**	**180,587**	189,606	–	–	189,606
— Equity investments at fair value through other comprehensive income	**8,702**	**–**	**8,702**	**–**	8,702	–	8,702	–
Liabilities:								
— Forward contracts	**68,257**	**–**	**68,257**	**–**	295,525	–	295,525	–
— Contingent consideration	**891**	**–**	**–**	**891**	876	–	–	876
— Convertible redeemable preference shares of a subsidiary	**19,235**	**–**	**–**	**19,235**	19,273	–	–	19,273

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2019: 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.

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:

Contingent consideration	30 June 2020 RMB'000	30 June 2019 RMB'000
Balance at 1 January	**188,730**	286,481
Acquisition of non-controlling interests	**–**	34,307
Net change in fair value	**(9,034)**	(218,409)
Balance at 30 June	**179,696**	102,379

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 2020 RMB'000**	30 June 2019 RMB'000
Balance at 1 January	**19,273**	59,024
Exchange difference	**277**	243
Net change in fair value	**(315)**	10,442
Balance at 30 June	**19,235**	69,709

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

The carrying amount of the Group's financial instrument carried at cost or amortised cost were not materially different from their fair value as at 30 June 2020 and 31 December 2019.

22 COMMITMENTS

As at 30 June 2020, the Group's capital commitments in respect of investment properties under development and properties under development are as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Contracted but not provided for		
— Investment properties under development	**66,172**	85,740
— Properties under development	**2,555,941**	1,955,259
	2,622,113	2,040,999

23 CONTINGENT LIABILITIES

	30 June 2020 RMB'000	31 December 2019 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (i)	**510,963**	514,692
Other financial guarantee	**–**	30,000
Total maximum guarantees issued	**510,963**	544,692

(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	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and other benefits	**8,307**	7,369
Contributions to defined benefit retirement scheme	**114**	263
Equity-settled share-based payment expenses	**610**	21,404
	9,031	29,036

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	
	2020	2019
	RMB'000	RMB'000
(i) Advances from related parties		
— Associates	**1,954**	1,412
— Immediate parent	**–**	1,446

24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions with related parties *(Continued)*

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(ii) Repayment to related parties		
— Associates	**33,615**	3,436
— Entities controlled by Ultimate Controlling Party	**41,265**	226,374
— Non-controlling interests of a subsidiary	**–**	100,000
— Immediate Parent	**180,472**	–

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(iii) Advances to related parties		
— Associates	**89,402**	29,870
— Joint ventures	**523,729**	740,150
— Entities controlled by Ultimate Controlling Party	**295**	15,619

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(iv) Repayment from related parties		
— Associates	**341,239**	30,382
— Joint ventures	**582,851**	727,305
— Non-controlling interests of subsidiaries	**–**	30,506
— Entities controlled by Ultimate Controlling Party	**1,616**	18,990

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(v) Rental income		
— Entities controlled by Ultimate Controlling Party	**21,302**	19,502

24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other transactions with related parties *(Continued)*

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(vi) Place deposits in		
— a bank significantly influenced by Ultimate Controlling Party	**10,802,744**	4,839,863

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(vii) Withdraw deposits from		
— a bank significantly influenced by Ultimate Controlling Party	**10,804,783**	4,875,872

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(viii) Sales of commodities to related parties		
— Associates	**131,456**	122,613
— Non-controlling interests of subsidiaries	**2,460**	4,915
— An entity controlled by non-controlling interests of subsidiaries	**2,825**	–

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(ix) Purchase of commodities from related parties		
— An associate	**77,322**	82,793
— Entities controlled by non-controlling interests of subsidiaries	**12,566**	–

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(x) Logistics and marketing services provided to a related party		
— An associate	**–**	66,237

24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with related parties

	30 June 2020 RMB'000	31 December 2019 RMB'000
Factoring receivables		
— an associate	**97**	24,277

	30 June 2020 RMB'000	31 December 2019 RMB'000
Loans to		
— an associate	**30,446**	76,373

Loans to an associate are secured by agriculture products and bear interest of 8.4% per annum as at 30 June 2020 (31 December 2019: 8.4%).

	30 June 2020 RMB'000	31 December 2019 RMB'000
Trade prepayment to		
— associates	**46,661**	40,261
— entities controlled by non-controlling interests of subsidiaries	**4,237**	84,135
	50,898	124,396

24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with related parties *(Continued)*

	30 June 2020 RMB'000	31 December 2019 RMB'000
Amounts due from related parties		
— associates	**378,360**	630,197
— joint ventures	**123,622**	182,744
— entities controlled by Ultimate Controlling Party	**1,621**	2,942
— key management personnel	**4,909**	5,036
— Ultimate Controlling Party	**100**	–
	508,612	820,919

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

Amounts due from an associate of RMB69,203,000 as at 30 June 2020 (31 December 2019: RMB79,830,000) bear interest of 8.4% per annum (31 December 2019: 3.5%). Amounts due from a joint venture of RMB116,062,000 as at 30 June 2020 (31 December 2019: RMB115,689,000) bear interest of 5.4% per annum (31 December 2019: 5.4%). All the other amounts due from related parties as at 30 June 2020 and 31 December 2019 were interest free.

	30 June 2020 RMB'000	31 December 2019 RMB'000
Deposits in		
— a bank significantly influenced by Ultimate Controlling Party	**1,897**	3,936

	30 June 2020 RMB'000	31 December 2019 RMB'000
Contract liabilities — Trade of commodities		
— an associate	**1,289**	–
— non-controlling interests of subsidiaries	**29,050**	–
	30,339	–

24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with related parties *(Continued)*

	30 June 2020 RMB'000	31 December 2019 RMB'000
Interest-bearing borrowings		
— a joint venture	–	3,242
— an entity controlled by Ultimate Controlling Party *(note 18 (c))*	20,000	–
	20,000	3,242

Loans from an entity controlled by Ultimate Controlling Party are unsecured and bear interest of 10.00% per annum as at 30 June 2020.

	30 June 2020 RMB'000	31 December 2019 RMB'000
Amounts due to related parties-current		
— associates	170	31,831
— non-controlling interests of subsidiaries	26	26
— entities controlled by Ultimate Controlling Party	11,778	52,894
— key management personnel	416	321
— entities controlled by a director	10,000	10,000
	22,390	95,072

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

	30 June 2020 RMB'000	31 December 2019 RMB'000
Amounts due to related parties — Non-current		
— Ultimate Controlling Party	3,900	3,900
— Immediate Parent	188,858	369,330
	192,758	373,230

24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with related parties *(Continued)*

	30 June 2020 RMB'000	31 December 2019 RMB'000
Interest-bearing borrowings guaranteed by		
— entities controlled by Ultimate Controlling Party	**400,000**	120,000
— an entity controlled by non-controlling interests of subsidiaries	**120,000**	120,000
— a director of the Company	**311,000**	304,000
	831,000	544,000

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.

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 3 July 2020, Wuhan North Hankou Trade Market Investment Co., Ltd. ("North Hankou Trade Market") and Zall Investment Group Co., Ltd. ("Zall Investment Group"), both of which are wholly-owned subsidiaries of the Company, entered into a supplemental agreement with Jiangsu Eastide Group Co., Ltd. ("Jiangsu Eastide"), pursuant to which North Hankou Trade Market and Zall Investment Group agree to waive the rent payable for the period from 1 July 2020 to 31 December 2020 by Jiangsu Eastide as Jiangsu Eastide has indicated that its business operations were not as good as expected and were seriously affected by the outbreak of the COVID-19 pandemic and has expressed its difficulties in fulfilling the original rental payment term of the lease agreement. The total rent waived would amount to approximately RMB231,850,000. No adjustment has been made in this interim report in this regard.

26 IMPACT OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include: negotiating with customers and suppliers on its online commodity trading platforms, offering certain concessionary measures to the tenants in the North Hankou International Trade Centre, cutting unnecessary operating expenses and capital expenditure and keeping an eye on the government's assistance policies implemented against the epidemic and fight for help and preferential conditions. The Group will keep the contingency measures under review as the situation evolves.

As far as the Group's businesses are concerned, the COVID-19 pandemic has led to a temporary closure of offline commodity trading markets operated by the Group (such as the North Hankou International Trade Centre in Wuhan, Hubei province). The COVID-19 pandemic has also led to a lower transaction amounts and volumes on few online commodity trading platforms operated by the Group, compared to the Group's expectation. Moreover, the valuations of investment properties situated in Wuhan carried at fair value at 30 June 2020 were negatively impacted, since the disruption to economic activities caused by the outbreak COVID-19 has increased the risk towards the achievability of the rental assumptions and has a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. However, the above impacts have been limited in view of the fact that the epidemic in China has been basically controlled, the disruption to business activities is fading out, and the contingency measures carried out by the Group are effective. The Group will keep closely monitor the development of COVID-19, and continue to assess the impact of the epidemic on the Group's operations and financial position.