Zall Group Ltd.
卓爾集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "Board") of directors (the "Directors") of Zall Group Ltd. (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016, together with the comparative amounts for the corresponding period in 2015.

FINANCIAL HIGHLIGHTS

	2016	2015
	RMB'000	*RMB'000*
Revenue	**1,213,375**	1,029,482
Gross profit	**361,307**	271,210
Gross profit margin	**29.8%**	26.3%
Profit for the year	**2,056,571**	2,045,988
Earnings per share — Basic (RMB)	**0.191**	0.193
— Diluted (RMB)	**0.191**	0.188
Total non-current assets	**15,858,971**	13,244,027
Total current assets	**13,888,678**	10,525,592
Total assets	**29,747,649**	23,769,619
Total non-current liabilities	**9,377,568**	7,906,997
Total current liabilities	**8,230,849**	5,552,091
Total liabilities	**17,608,417**	13,459,088
Net assets	**12,139,232**	10,310,531

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	3(a)	**1,213,375**	1,029,482
Cost of sales		**(852,068)**	(758,272)
Gross profit		**361,307**	271,210
Other income	4	**1,130,515**	972,184
Selling and distribution expenses		**(141,468)**	(141,337)
Administrative and other expenses		**(160,105)**	(153,480)
Profit from operations before changes in fair value of investment properties		**1,190,249**	948,577
Increase in fair value of investment properties and non-current assets classified as held for sale	9	**111,298**	439,584
Fair value gain upon transfer of completed properties held for sale to investment properties	9	**1,164,399**	798,158
Profit from operations after changes in fair value of investment properties		**2,465,946**	2,186,319
Share of (loss)/profits of joint ventures		**(163)**	10,315
Share of loss of associates		**(24,441)**	—
Gain on disposal of subsidiaries		**95,561**	353,708
Fair value change on embedded derivative component of the convertible bonds		**—**	(17,027)
Finance income	5(a)	**3,643**	5,740
Finance costs	5(a)	**(192,339)**	(264,909)
Profit before taxation	5	**2,348,207**	2,274,146
Income tax	6(a)	**(291,636)**	(228,158)
Profit for the year		**2,056,571**	2,045,988
Attributable to:			
Equity shareholders of the Company		**2,048,951**	2,037,727
Non-controlling interests		**7,620**	8,261
Profit for the year		**2,056,571**	2,045,988
Earnings per share			
Basic (RMB)	7	**0.191**	0.193
Diluted (RMB)	7	**0.191**	0.188

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
Profit for the year	**2,056,571**	2,045,988
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
— financial statements of subsidiaries in other jurisdictions	**(43,116)**	(49,030)
Other comprehensive income for the year	**(43,116)**	(49,030)
Total comprehensive income for the year	**2,013,455**	1,996,958
Attributable to:		
Equity shareholders of the Company	**2,005,835**	1,988,697
Non-controlling interests	**7,620**	8,261
Total comprehensive income for the year	**2,013,455**	1,996,958

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	8	**113,815**	224,338
Investment properties	9	**14,624,055**	12,519,200
Intangible assets		**8,691**	—
Goodwill		**15,783**	—
Interests in joint ventures		**104,163**	89,326
Interests in associates		**529,657**	—
Deferred tax assets		**168,837**	202,504
Long-term receivables	15	**293,970**	208,659
		15,858,971	13,244,027
Current assets			
Financial assets at fair value through profit or loss	10	**2,208,721**	1,083,176
Inventories			
— Properties under development	11	**3,544,027**	4,010,176
— Completed properties held for sale	12	**4,258,591**	3,736,630
— Finished goods	13	**35,310**	—
Current tax assets		**35,213**	29,447
Trade and other receivables, prepayments	14	**2,830,396**	827,143
Restricted cash		**550,453**	441,650
Cash and cash equivalents		**273,262**	243,470
		13,735,973	10,371,692
Non-current assets classified as held for sale		**152,705**	153,900
		13,888,678	10,525,592

	Note	2016 RMB'000	2015 RMB'000
Current liabilities			
Trade and other payables	*16*	**5,598,217**	3,629,542
Bank loans and loans from other financial institutions	*17*	**2,332,654**	1,682,081
Current tax liabilities		**246,472**	186,254
Deferred income		**15,468**	15,983
Liabilities directly associated with non-current assets classified as held for sale		**38,038**	38,231
		8,230,849	5,552,091
Net current assets		**5,657,829**	4,973,501
Total assets less current liabilities		**21,516,800**	18,217,528
Non-current liabilities			
Bank loans and loans from other financial institutions	*17*	**6,061,268**	4,712,680
Deferred income		**4,101**	19,569
Deferred tax liabilities		**3,312,199**	3,174,748
		9,377,568	7,906,997
NET ASSETS		**12,139,232**	**10,310,531**
CAPITAL AND RESERVES			
Share capital	*18*	**29,727**	29,727
Reserves		**12,074,820**	9,438,741
Total equity attributable to equity shareholders of the Company		**12,104,547**	9,468,468
Non-controlling interests		**34,685**	842,063
TOTAL EQUITY		**12,139,232**	10,310,531

NOTES

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

Zall Group Ltd. (the "Company") was incorporated in the Cayman Islands on 22 September 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands.

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and joint ventures.

These consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— financial instruments classified as available-for-sale or as financial assets at fair value through profit or loss;

— investment property; and

— derivative financial instruments.

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

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

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

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. 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.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the development and operating of large-scale consumer product-focused wholesale shopping malls and the related value-added business, such as warehousing, logistic, E-commerce and financial services in the People's Republic of China (the "PRC"). The Group has commenced to engage in supply chain management and trading business in 2016.

The amount of each significant category of revenue is as follows:

	2016	2015
	RMB'000	*RMB'000*
Revenue from property development and related services:		
Sales of properties	**727,077**	695,951
Rental income	**182,144**	103,497
Revenue from construction contracts	**85,310**	196,975
Others	**27,820**	22,987
Revenue from E-commerce and financial services business	**21,803**	5,582
Revenue from supply chain management and trading business	**166,767**	—
Others	**2,454**	4,490
	1,213,375	1,029,482

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

Further details regarding the Group's principal activities are disclosed below:

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by mixture of both 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 develop and operate large-scale consumer product-focused wholesale shopping malls and the related value-added business, such as warehousing and logistic.

— E-commerce and financial services: this segment provide 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.

(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 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, investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and bills payable 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 of assets attributable to those segments.

The measure used for reporting segment profit is adjusted the profit before finance costs, income tax, and are further adjusted for items not specifically attributed to individual segments, such as share of profits less 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 from managed directly by the segments and depreciation to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

	Property development and related services		E-commerce and financial service		Supply chain management and trading		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**1,022,351**	1,019,410	**21,803**	5,582	**166,767**	—	**1,210,921**	1,024,992
Inter-segment revenue	**5,660**	—	**—**	—	**—**	—	**5,660**	—
Reportable segment revenue	**1,028,011**	1,019,410	**21,803**	5,582	**166,767**	—	**1,216,581**	1,024,992
Reportable segment profit/(loss)	**156,700**	29,999	**(75,069)**	(11,058)	**965**	—	**82,596**	18,941
Finance income	**3,042**	5,624	**586**	59	**5**	—	**3,633**	5,683
Finance costs	**(149,548)**	(97,010)	**(24,590)**	(212)	**(30)**	—	**(174,168)**	(97,222)
Depreciation	**(11,828)**	(8,262)	**(589)**	(148)	**—**	—	**(12,417)**	(8,410)
Net increase in fair value of investment properties	**1,275,697**	1,237,742	**—**	—	**—**	—	**1,275,697**	1,237,742
Share of loss of associates	**(4,165)**	—	**(20,276)**	—	**—**	—	**(24,441)**	—
Share of (loss)/profits of joint ventures	**(43)**	10,315	**—**	—	**(120)**	—	**(163)**	10,315
Reportable segment assets	**27,461,674**	23,660,511	**1,020,848**	107,269	**53,627**	—	**28,536,149**	23,767,780
Additions to non-current segment assets during the year	**10,338**	110,498	**520,573**	3,345	**15,000**	—	**545,911**	113,843
Reportable segment liabilities	**14,019,953**	11,329,513	**2,490,295**	116,280	**67,554**	—	**16,577,802**	11,445,793

(ii) Reconciliation of reportable segment revenue, profit, assets and liabilities:

Revenue

	2016	2015
	RMB'000	*RMB'000*
Reportable segment revenue	**1,216,581**	1,024,992
Other revenue	**2,454**	4,490
Elimination of inter-segment revenue	**(5,660)**	—
Consolidated revenue *(note 3(a))*	**1,213,375**	1,029,482

Profit

	2016	2015
	RMB'000	*RMB'000*
Reportable segment profit	**82,596**	18,941
Elimination of inter-segment profit	**(5,660)**	—
Reportable segment profit derived from the Group's external customers	**76,936**	18,941
Other income	**1,130,515**	972,184
Gain on disposal subsidiary	**95,561**	353,708
Finance income	**3,643**	5,740
Finance costs	**(192,339)**	(264,909)
Net increase in fair value of investment properties	**1,275,697**	1,237,742
Fair value change on embedded derivative component of convertible bonds	**—**	(17,027)
Share of loss of associates	**(24,441)**	—
Share of (loss)/profits of joint ventures	**(163)**	10,315
Unallocated head office and corporate expenses	**(17,202)**	(42,548)
Consolidated profit before taxation	**2,348,207**	2,274,146

Assets

	2016	2015
Reportable segment assets	**28,536,149**	23,767,780
Elimination of inter-segment receivables	**(5,330,647)**	(3,683,017)
	23,205,502	20,084,763
Interests in joint ventures	**104,163**	89,326
Interests in associates	**529,657**	—
Financial assets at fair value through profit or loss	**2,208,721**	1,083,176
Deferred tax assets	**168,837**	202,504
Current tax assets	**35,213**	29,447
Unallocated head office and corporate assets	**3,495,556**	2,280,403
Consolidated total assets	**29,747,649**	23,769,619

Liabilities

	2016	2015
Reportable segment liabilities	**16,577,802**	11,445,793
Elimination of inter-segment payables	**(5,311,829)**	(3,670,236)
	11,265,973	7,775,557
Current tax liabilities	**246,472**	186,254
Deferred tax liabilities	**3,312,199**	3,174,748
Unallocated head office and corporate assets	**2,783,773**	2,322,529
Consolidated total liabilities	**17,608,417**	13,459,088

The Group has changed its internal organisation and the composition of its reportable segments due to the business development of E-commerce, financial service and supply chain management and trading business. Accordingly, the Group has restated the operating segment information for the year ended 31 December 2015.

(iii) Geographic information

No geographic information has been presented as the Group's operating activities are largely carried out in the PRC.

4 OTHER INCOME

	Note	**2016** *RMB'000*	2015 *RMB'000*
Gain on early redemption of convertible bonds		—	123,849
Gain on sale of financial assets held for trading		—	540
Fair value change on financial assets at fair value through profit or loss		**1,118,017**	348,358
— Fair value change on listed equity securities	*10*	**1,120,304**	348,358
— Fair value change on Derivative financial instrument	*10*	**(2,287)**	—
Gain on disposal of 10% interest of Zall Shenyang and Zall Xiaogan		—	4,016
Government grants	*(i)*	**32**	114,399
Forfeited deposits and compensation from customers		—	1,058
Football club related revenue		—	11,268
Gain on remeasurement of previously held interest upon acquisition of subsidiaries		—	265,870
Gain on bargain purchase of subsidiaries		**4,660**	101,423
Dividends received from financial assets at fair value through profit or loss		**6,805**	—
Loss on sales of non-current assets classified as held for sale		**(25)**	—
Loss on disposal of investment properties		**(13,094)**	—
Others		**14,120**	1,403
		1,130,515	972,184

(i) In 2015, government grants recognised in profit or loss are in relation to its contribution to promotion activities in the PRC, mainly including RMB70,435,000 amortised in deferred income and transferred from other payables, which has not been confirmed by the government until 2015.

5 PROFIT BEFORE TAXATION

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

(a) Finance (income)/costs

	Note	2016 RMB'000	2015 RMB'000
Finance income			
Interest income		**(3,643)**	(5,740)
Finance costs			
Interest on convertible bonds		**—**	164,450
Interest on bank loans and loans from other financial institutions		**532,102**	455,416
Other borrowing costs		**72,522**	118,996
Less: amounts capitalised into properties under development and investment properties under development	*(i)*	**(432,282)**	(486,042)
		172,342	252,820
Bank charges and others		**18,989**	8,891
Net foreign exchange loss		**1,008**	3,198
		192,339	264,909

(i) The borrowing costs have been capitalised at rates ranging from 4.35%-13.00% per annum in the year ended 31 December 2016 (2015: 4.60%-16.41% per annum).

(b) Staff costs

	2016 RMB'000	2015 RMB'000
Salaries, wages and other benefits	**78,265**	45,794
Contributions to defined contribution retirement plan	**7,879**	8,637
Equity settled share-based payment expenses	**—**	1,733
	86,144	56,164

(c) Other items

	Note	2016 RMB'000	2015 RMB'000
Amortisation			
— intangible assets		**7,035**	—
— football players' contracts		**—**	3,389
Depreciation			
— properties, plant and equipment		**21,558**	12,412
— disposal group held for sale		**—**	398
Auditors' remuneration			
— audit services		**3,080**	2,700
— other services		**2,600**	20
Operating lease charges		**40,144**	32,860
Cost of construction contracts		**85,311**	208,659
Cost of finished goods sold		**165,200**	—
Cost of properties sold	*(i)*	**525,874**	507,699

(i) Cost of properties sold is after netting off benefits from government grants of RMB5,697,000 for the year ended 31 December 2015 (2016: Nil).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2016 RMB'000	2015 RMB'000
Current tax		
PRC Corporate Income Tax ("CIT")	**57,959**	31,185
PRC Land appreciate Tax ("LAT")	**64,971**	50,951
	122,930	82,136
Deferred tax		
Origination and reversal of temporary differences	**168,706**	146,022
	291,636	228,158

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	Note	**2016** *RMB'000*	2015 *RMB'000*
Profit before taxation		**2,348,207**	2,274,146
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned		**323,301**	553,041
Tax effect of non-deductible expenses		**4,600**	5,202
Tax effect of non-taxable share of loss/(profits) of joint ventures and associates		**1,081**	(2,579)
Tax effect of non-taxable income		**(6,467)**	(253,151)
Tax effect of unused tax losses not recognised		**50,866**	49,357
Tax effect of use of previously unrecognised tax losses		**(6,244)**	(2,126)
Withholding tax on gain from disposal of PRC subsidiaries		**—**	9,844
PRC LAT in relation to properties sold		**64,971**	50,951
PRC LAT in relation to investment properties	*(v)*	**(165,639)**	(226,191)
Tax effect on PRC LAT		**25,167**	43,810
Actual tax expense		**291,636**	228,158

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in these jurisdictions.

No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the year.

(ii) PRC CIT

The provision for PRC CIT has been calculated at the applicable tax rates on the estimated assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The PRC CIT rate applicable to the Group's subsidiaries located in the PRC is 25% (2015: 25%).

(iii) PRC LAT

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.

(iv) Withholding tax

The PRC Corporate Income Tax Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise directly.

Since the Group could control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

(v) The Group reviewed the investment properties and determined that the part of the properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. As a result, the Group reversed the deferred LAT relating to these properties amounting to RMB153,674,000 in 2016 (2015: RMB334,684,000).

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 RMB2,048,951,000 (2015: RMB2,037,727,000) and the weighted average of 10,745,578,000 ordinary shares (2015: 10,573,913,000), calculated as follows:

Weighted average number of ordinary shares

	2016 ***RMB'000***	2015 *RMB'000*
Issued ordinary shares at 1 January	**10,745,578**	3,500,000
Effect of share subdivision	—	7,000,000
Effect of placing of new shares	—	66,810
Effect of share options exercised	—	7,103
Weighted average number of ordinary shares at 31 December	**10,745,578**	10,573,913

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year 2016 is based on the profit attributable to ordinary equity shareholders of the Company of RMB2,048,951,000 and the weighted average number of ordinary shares of 10,745,578,000 shares. The calculation of diluted earnings per share for the year 2015 calculated is based on the profit attributable to ordinary equity shareholders of the Company of RMB2,095,355,000 and the weighted average number of ordinary shares of 11,123,016,000 shares, after adjusting for the effects of deemed issue of shares under the Company's Pre-IPO Share Option Scheme and the effect of deemed conversion of convertible bond (redeemed by the Company on 31 July 2015), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2016	2015
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders of the Company	**2,048,951**	2,037,727
After tax effect of effective interest on the liability component of convertible bonds	—	164,450
After tax effect of change in fair value of embedded derivative component of the convertible bonds	—	17,027
After tax effect of gain arising from redemption of convertible bonds	—	(123,849)
Profit attributable to ordinary equity shareholders of the Company (diluted)	**2,048,951**	2,095,355

(ii) Weighted average number of ordinary shares (diluted)

	2016	2015
	RMB'000	*RMB'000*
Weighted average number of ordinary shares at 31 December	**10,745,578**	10,573,913
Effect of deemed issue of shares under the Company's Pre-IPO Share Option Scheme for nil consideration after the effect of Share Subdivision	—	52,461
Effect of conversion of convertible bonds after the effect of Share Subdivision	—	496,642
Weighted average number of ordinary shares (diluted) at 31 December	**10,745,578**	11,123,016

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Furniture, office equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2015	132,207	19,141	11,342	162,690
Additions	110,086	259	4,745	115,090
Addition through acquisition of subsidiaries	—	468	1,906	2,374
Disposals	—	(227)	(2)	(229)
Disposals arising from disposal of subsidiaries	(245)	(1,560)	(2,040)	(3,845)
At 31 December 2015/1 January 2016	242,048	18,081	15,951	276,080
Additions	5,038	205	5,309	10,552
Addition through acquisition of subsidiaries	—	—	330	330
Disposals	—	(512)	(1,994)	(2,506)
Cost adjustments	(11,767)	—	—	(11,767)
Transfer to investment properties	(95,388)	—	—	(95,388)
At 31 December 2016	139,931	17,774	19,596	177,301
Accumulated depreciation:				
At 1 January 2015	(17,758)	(15,039)	(6,674)	(39,471)
Charge for the year	(9,157)	(1,219)	(2,036)	(12,412)
Addition through acquisition of subsidiaries	—	(437)	(1,606)	(2,043)
Written back on disposals	—	203	1	204
Disposal arising from disposal of subsidiaries	9	706	1,265	1,980
At 31 December 2015/1 January 2016	(26,906)	(15,786)	(9,050)	(51,742)
Charge for the year	(15,198)	(1,264)	(5,096)	(21,558)
Addition through acquisition of subsidiaries	—	—	(46)	(46)
Transfer to investment properties	8,883	—	—	8,883
Written back on disposals	—	439	538	977
At 31 December 2016	(33,221)	(16,611)	(13,654)	(63,486)
Net book value:				
At 31 December 2016	106,710	1,163	5,942	113,815
At 31 December 2015	215,142	2,295	6,901	224,338

(i) The buildings are all situated on land in the PRC.

The analysis of carrying amount of leasehold land of properties is as follows:

	2016	2015
	RMB'000	*RMB'000*
In the PRC held under medium-term lease (10-50 years)	**33,480**	35,714

(ii) At 31 December 2016, certain buildings of the Group with carrying value of RMB18,998,000 (2015: RMB20,272,000) were without building ownership certificate. The Group was in progress of applying for the relevant buildings ownership certificates.

9 INVESTMENT PROPERTIES

(a) Reconciliation of carrying amount

	Investment Properties	**Investment properties under development**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015	5,940,244	2,504,856	8,445,100
Additions	65,278	483,338	548,616
Transfer from completed properties held for sale *(ii)*	393,942	—	393,942
Additions through acquisition of subsidiaries	1,900,000	—	1,900,000
Fair value adjustments	944,542	287,000	1,231,542
At 31 December 2015	9,244,006	3,275,194	12,519,200
Representing:			
Cost	3,579,578	1,375,030	4,954,608
Fair value adjustments	5,664,428	1,900,164	7,564,592
	9,244,006	3,275,194	12,519,200

	Investment Properties *RMB'000*	Investment properties under development *RMB'000*	Total *RMB'000*
At 1 January 2016	9,244,006	3,275,194	12,519,200
Additions	27,003	68,610	95,613
Transfer from completed properties held for sale *(ii)*	692,665	—	692,665
Transfer from property, plant and equipment	—	86,505	86,505
Transfer between investment property under development and investment property	268,700	(268,700)	—
Disposals	(44,500)	—	(44,500)
Fair value adjustments	1,194,436	80,136	1,274,572
At 31 December 2016	11,382,310	3,241,745	14,624,055
Representing:			
Cost	4,481,615	1,344,435	5,826,050
Fair value adjustments	6,900,695	1,897,310	8,798,005
	11,382,310	3,241,745	14,624,055
Book value:			
At 31 December 2016	11,382,310	3,241,745	14,624,055
At 31 December 2015	9,244,006	3,275,194	12,519,200

(i) During the year ended 31 December 2016, a net gain of RMB1,274,572,000 (2015: RMB1,231,542,000), and deferred tax thereon of RMB201,648,000 (2015: RMB140,274,000), has been recognised in the consolidated statement of profit or loss for the period in respect of investment properties.

(ii) During the year ended 31 December 2016, the Group transferred certain completed properties held for sale to investment properties on condition that there was an actual change in use from sale to earning rental income purpose, which were evidenced by commencement of operating lease as stipulated in the lease agreements entered into by the Group. Correspondingly a fair value gain amounting to RMB1,164,399,000 (2015: RMB798,158,000) upon transfer was recognised.

(iii) At 31 December 2016, certain bank loans granted to the Group were jointly secured by investment properties and investment properties under development with an aggregate carrying value of RMB9,341,927,000 (2015: RMB7,201,560,000) (see note 17(a)).

(b) Fair value measurement of properties

(i) Fair value hierarchy

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

- Level 1 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 as at 31 December 2016 *RMB'000*	**Fair value measurements as at 31 December 2016 categorised into level 3** *RMB'000*
Recurring fair value measurement — investment properties	14,624,055	14,624,055

	Fair value as at 31 December 2015 *RMB'000*	**Fair value measurements as at 31 December 2015 categorised into level 3** *RMB'000*
Recurring fair value measurement — investment properties	12,519,200	12,519,200

During the year, there were no transfers into or out of Level 3. 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.

All of the Group's investment properties carried at fair value were revalued as at 31 December 2016. The valuations were carried out by an independent firm of surveyors, Savills, who have among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Group's property manager and the senior management have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(ii) ***Information about Level 3 fair value measurements***

	Valuation techniques	**Unobservable input**	**Range**
Investment properties	Income capitalisation method	Yield	3.0%-6.0% (2015: 3.0%-6.0%)
		Market monthly rental rate (RMB/sq.m.)	42-236 (2015: 2-200)
		Occupancy rate	35%-98 % (2015: 95%-98%)

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

The fair value of commercial properties under development is generally derived using the combination of direct comparison method by making reference to the comparable market transactions as available in the market and the income capitalisation method by capitalising market rents derived from the properties. This valuation method is essentially a means of valuing the land and properties under development by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	RMB'000	*RMB'000*
Listed equity securities		
— Fullshare Holdings Limited ("Fullshare") (00607.HKEX) (Note)	**2,203,480**	1,083,176
Derivative financial instrument		
— Warrant	**5,241**	—
	2,208,721	1,083,176

Note: Up to the date of approval of the financial statements, there was no addition nor disposal of Fullshare. The market value of the Group's equity investments in Fullshare at the date of approval of the financial statements was approximately RMB2,078,184,000 (equivalent to HKD2,340,851,000). In accordance with the respective accounting policy, the change in fair value will be recognised in statement of profit or loss subsequent to the year end.

As at 31 December 2016, listed equity securities with an aggregate carrying value of RMB2,203,480,000 (31 December 2015: Nil) were pledged for certain bank loan granted to the Group (note 17(a)).

11 PROPERTIES UNDER DEVELOPMENT

(a) Properties under development in the consolidated statement of financial position comprise:

	2016	2015
	RMB'000	*RMB'000*
Expected to be recovered within one year		
Properties under development for sale	**805,733**	1,547,967
Expected to be recovered after more than one year		
Properties held for future development for sale	**1,543,342**	1,707,868
Properties under development for sale	**1,194,952**	754,341
	2,738,294	2,462,209
	3,544,027	4,010,176

As at 31 December 2016, certain properties under development with an aggregate carrying value of RMB1,256,818,000 (2015: RMB1,203,573,000) was pledged for certain bank loans granted to the Group (see note 17(a)).

(b) The analysis of carrying value of leasehold land included in properties under development is as follows:

	2016	2015
	RMB'000	*RMB'000*
Held under		
— long leases (over 50 years) in the PRC	**34,327**	104,008
— medium-term leases (40-50 years) in the PRC	**1,254,182**	930,286
	1,288,509	1,034,294

12 COMPLETED PROPERTIES HELD FOR SALE

	2016	2015
	RMB'000	*RMB'000*
Completed properties held for sale in the PRC	**4,258,591**	3,736,630

The analysis of carrying value of leasehold land included in completed properties held for sale is as follows:

	2016	2015
	RMB'000	*RMB'000*
Held under		
— long leases (over 50 years) in the PRC	**5,422**	7,008
— medium-term leases (40-50 years) in the PRC	**255,717**	198,146
	261,139	205,154

As at 31 December 2016, completed properties held for sale with an aggregate carrying value of RMB3,187,227,000 (2015: RMB1,455,393,000) was pledged for certain bank loans granted to the Group (see note 17(a)).

13 FINISHED GOODS

(a) Finished goods in the consolidated statement of financial position comprise:

	2016	2015
	RMB'000	*RMB'000*
Supply chain management and trading business		
— Finished goods	**35,310**	—

(b) The analysis of the amount of finished goods recognised as an expenses and included in profit or loss is as follows:

	2016	2015
	RMB'000	*RMB'000*
Carrying amount of finished goods sold	**165,200**	—

14 TRADE AND OTHER RECEIVABLES, PREPAYMENTS

	2016	2015
	RMB'000	*RMB'000*
Amounts due from third parties		
Trade and bill receivables *(i)*	**963,307**	142,162
Prepaid business tax and other tax	**67,251**	62,876
Prepayments and other receivables *(ii)*	**1,798,588**	622,105
	2,829,146	827,143
Amounts due from related parties	**1,250**	—
	2,830,396	827,143

(i) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade and bill receivables (net of allowance for doubtful debts) based on the date the relevant trade and bill receivables recognised is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**357,788**	79,663
3 to 12 months	**541,074**	35,357
Over 12 months	**64,445**	27,142
	963,307	142,162

Trade and bill receivables are primarily related to sale of properties, rental income, financial service and sales of goods. Proceeds from the sale of properties are made in bank mortgage, lump-sum payments or paid by instalments in accordance with the terms of the corresponding contracts. Trade receivables related to financial services are mainly generated from factoring business.

The directors are of the view that all trade and bill receivables are neither individually nor collectively considered to be impaired as at 31 December 2016.

(ii) At 31 December 2016, included in prepayments and other receivables was prepayment of RMB1,000,000,000 to subscribe the new shares of an insurance company. The Group has fully collected the amount in January 2017.

15 CONSTRUCTION CONTRACTS

The aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work at 31 December 2016, is RMB293,970,000 (2015: RMB208,659,000).

The gross amount due from customers for contract work at 31 December 2016 that is expected to be recovered after more than one year is RMB293,970,000 (2015: RMB208,659,000). The amount of retentions receivable is recorded as "long-term receivables" in the consolidated statement of financial position of the Group.

	2016	2015
	RMB'000	*RMB'000*
Long-term receivables	**293,970**	208,659

16 TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Amounts due to third parties		
Trade payables *(i)*	**1,615,321**	1,343,703
Receipts in advance *(ii)*	**1,099,228**	925,132
Other payables and accruals	**2,251,787**	639,364
	4,966,336	2,908,199
Amounts due to related parties		
Amounts due to joint ventures	**148,400**	148,400
Amounts due to the immediate parent	**469,512**	572,943
Amounts due to the ultimate controlling party	**3,900**	—
Amounts due to other related parties	**10,069**	—
	5,598,217	3,629,542

(i) As of the end of the reporting period, the ageing analysis of trade creditors, which are included in trade and other payables, based on the invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Due within 3 months	**529,741**	283,872
Due after 3 months but within 12 months	**345,100**	161,692
Due after 12 months	**740,480**	898,139
	1,615,321	1,343,703

Trade payables mainly include amounts generated from peer-to-peer lending business and amounts due to contractors generated from property development and related business. Payment to contractors is in installments according to progress and agreed milestones. The Group normally retains 2% to 5% as retention payment.

At 31 December 2016, included in trade payables were retention payables of RMB18,872,000 (2015: RMB15,741,000) which were expected to be settled after more than one year.

(ii) Receipts in advance primarily consisted of deposits and down payments from customers for purchases of the Group's properties. Such proceeds were recorded as current liabilities before the associated sales were recognised. Sale of properties is subsequently recognised to the profit or loss in accordance with the Group's accounting policy.

17 BANK LOANS AND LOANS FROM OTHER FINANCIAL INSTITUTIONS

At 31 December 2016, the bank loans and loans from other financial institutions were repayable as follows:

	2016	2015
	RMB'000	*RMB'000*
Within one year or on demand	**2,332,654**	1,682,081
After 1 year but within 2 years	**2,911,698**	1,111,556
After 2 year but within 5 years	**2,308,936**	2,872,944
After 5 years	**840,634**	728,180
	6,061,268	4,712,680
	8,393,922	6,394,761

	2016	2015
	RMB'000	*RMB'000*
Secured	**8,000,338**	5,874,761
Unsecured	**393,584**	520,000
	8,393,922	6,394,761

(a) Bank loans and loans from other financial institutions (including bank loans included in disposal Group held for sale) are secured by the following assets:

	2016	2015
	RMB'000	*RMB'000*
Pledged cash	**263,600**	304,500
Investment properties	**7,784,804**	4,411,031
Investment properties under development	**1,557,123**	2,790,529
Properties under development	**1,256,818**	1,203,573
Completed properties held for sale	**3,187,227**	1,455,393
Financial assets at fair value through profit or loss	**2,203,480**	—
	16,253,052	10,165,026

(b) Bank loans and loans from other financial institutions bear interest ranging from 4.35% to 13.00% per annum for the year ended 31 December 2016 (2015: 4.6% to 16.41% per annum).

(c) Certain banking facilities and borrowings of the Group are subject to the fulfilment of covenants relating to: (1) certain of the Group's operating subsidiaries' statement of financial position ratio; (2) restriction of profit distribution by certain of its operating subsidiaries; (3) early repayment of principal to be triggered when 70% of the gross sellable area for the underlying property project are sold; or (4) 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.

At 31 December 2016, bank loans of the Group totalling RMB2,612,535,000 (2015: RMB2,134,025,000) were not in compliance with the imposed covenants. The Group has obtained notices from the corresponding banks, which confirmed that the subsidiaries would not be regarded as having breached the covenants and the banks would not demand early repayment from the subsidiaries.

(d) As at 31 December 2016, the Group had a total of RMB202,241,000 (2015: RMB475,000,000) of unutilised loan facilities provided by commercial banks in China.

(e) As at 31 December 2016, certain secured bank loans of the Group totaling RMB180,000,000 (2015: RMB200,000,000) was guaranteed by Zall Holdings Limited ("Zall Holdings"), a company owned by Mr. Yan Zhi (ultimate controlling party of the Company).

(f) As at 31 December 2016, certain secured bank loans of the Group totaling RMB396,288,000 (31 December 2015: Nil) was secured by 888,000,000 ordinary shares of the Group held by Zall Development Investment Company Limited (immediate parent of the Company) and guaranteed by Mr. Yan Zhi.

18 CAPITAL AND DIVIDENDS

(a) Share capital

The par value of the ordinary shares of the Company was initially at HKD0.01 per share. With effect from 14 September 2015, each of the then existing issued and unissued shares of the Company was subdivided into 3 subdivided shares of HKD0.00333 each (each defined as "Subdivided Share"), after an ordinary resolution was passed at the annual general meeting of the Company held on 14 September 2015 and with an approval obtained from the Stock Exchange of Hong Kong Limited (the "Share Subdivision"). Upon the Share Subdivision became effective, the authorised capital of the Company became HKD80,000,000, divided into 24,000,000,000 Subdivided Shares of HKD0.00333 each.

As at 31 December 2016, the total number of issued ordinary shares of the Company was 10,745,577,750 shares (2015: 10,745,577,750 shares after the effect of the Share Subdivision).

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

		2016		2015	
	Note	**Number of shares** ***('000)***	**Amount** ***HKD'000***	Number of shares *('000)*	Amount *HKD'000*
Authorised:					
Ordinary shares of HKD0.00333 each		**24,000,000**	**80,000**	24,000,000	80,000
Ordinary shares, issued and fully paid:					
At 1 January		**10,745,578**	**35,818**	3,500,000	35,000
Shares issued under share option scheme after the Share Subdivision	*(i)*	—	—	85,234	284
Placing of new shares before Share Subdivision	*(ii)*	—	—	53,448	534
Effect of Share Subdivision		—	—	7,106,896	—
At 31 December		**10,745,578**	**35,818**	10,745,578	35,818

(i) On 3 December 2015, options under the share option scheme were exercised for 85,233,750 ordinary shares after the effect of the Share Subdivision of the Company at a consideration of RMB20,574,000 in total, of which RMB235,000 (equal to HKD284,000) was credited to share capital and the balance of RMB20,340,000 was credited to the share premium account and RMB40,423,000 has been transferred from the capital reserve to share premium account in accordance with the accounting policy adopted by share-based payment. All options had been exercised in 2015.

(ii) On 7 August 2015 the Company placed 53,448,000 new shares before the effect of the Share Subdivision to Dr. Gang Yu (executive director and co-chairman of the Group) at a price of HKD2.90. Proceeds of RMB421,000 (equal to HKD534,000) representing the par value of these ordinary shares, were credited to the Company's share capital and the excess of the proceeds over the nominal value of the total number of ordinary shares issued after offsetting share issuance costs of RMB121,926,000, were credited to the share premium account of the Company. No new shares were placed during the year of 2016.

(b) Dividends

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

No dividend was declared during the year of 2016. A special dividend in the total amount of RMB582,785,000 (equivalent to HKD739,414,800) was approved and paid after the completion of the disposal of Zhen An Properties (Cayman Island) Limited ("Zhen An Cayman Island") and Zhen An (Wuhan) Company Limited ("Zhen An Wuhan") during the year of 2015.

No final dividend proposed after the end of the reporting period of 2015 and 2016.

(ii) No final dividend in respect of the previous financial year was approved and paid during the year of 2015 and 2016.

19 DISPOSAL OF SUBSIDIARIES

(a) Disposal of Wuhan Panlong Zall Properties Co., Ltd ("Panlong Zall")

On 21 June 2016, the Group and a third party entered into a disposal agreement, pursuant to which the Group agreed to sell the entire equity interest in Panlong Zall at a cash consideration of RMB96,035,000. During the year, the Group has transferred the entire equity interest in Panlong Zall to the third party.

Disposal of Panlong Zall

	Net book value as of the disposal date
	RMB'000
Cash and cash equivalents	16
Properties under development	132,536
Trade and other receivables, prepayment	1
Trade and other payables	(132,018)
Current tax liability	(61)
Net assets	474
Total consideration, satisfied in cash	96,035
Fair value of the residue 100% of equity	474
Net gain on disposal	95,561
Net cash inflow arising on disposal	
Cash consideration received	96,035
Bank balances and cash disposed of	(16)
Net cash flow	**96,019**

(b) Disposal of interest in a subsidiary to related parties

In September 2016, Wuhan Zall E-commerce Group Co. Ltd. ("Zall E-commerce", an indirect wholly-owned subsidiary of the Company) , Mr Yan Zhi and Dr. Gang Yu entered into a disposal agreement, pursuant to which Zall E-commerce agreed to sell 15% and 25% of Zallsoon Information Technology (Wuhan) Co., Ltd.("Zallsoon") to Mr Yan Zhi and Dr. Gang Yu at a consideration of RMB4,500,000 and RMB7,500,000 respectively. Collectively, 40% equity interest of Zallsoon was transferred on 26 September 2016, and the equity interest held by the Group decrease from 100% to 60%. Zallsoon is incorporated in PRC and principally engaged in online service for logistics.

20 ACQUISITION OF SUBSIDIARIES

Acquisition of interest in Zhong Bong Financial Leasing Co., Ltd. ("Zhong Bong Financial Leasing") (formerly known as Harvest Financial Leasing Co.,Ltd), Hangzhou Jiuyu Asset Management Co., Ltd. ("Jiuyu Asset Management") and Harvest Financial Information Service (Hangzhou) Co., Ltd ("HFS")

On 31 May 2016, Zall Jinfu, Zall Financial Services Group, Harvest Capital Management Co., Ltd. ("Harvest Capital") and New Resource Energy International Private Limited ("New Resource International") entered into a acquisition agreements, pursuant to which Zall Jinfu and Zall Financial Services Group agreed to acquire the entire equity interests in the Zhong Bong Financial leasing and Jiuyu Asset Management and 90% equity interests in HFS for an aggregate consideration of RMB137,192,500 and US$7,000,000 (equivalent to approximately RMB46,192,000). Upon completion of the acquisitions, Zhong Bong Financial leasing , Jiuyu Asset Management and HFS became indirect subsidiaries of the Company on 23 September 2016 and 28 July 2016 respectively.

Zhong Bong Financial leasing, Jiuyu Asset Management and HFS are all established under the laws of the PRC with limited liability and are principally engaged in the provision of finance leasing service, asset management service and information service on investment and financing respectively.

In the post acquisition date to 31 December 2016, Zhong Bong Financial leasing, Jiuyu Asset Management and HFS contributed revenue of RMB5,156,000, RMB1,895,000 and RMB5,628,000 and loss of RMB1,992,000, RMB7,136,000 and RMB2,491,000 to the Group's result respectively.

Acquisition of Zhong Bong Financial leasing

	Pre-acquisition carrying amount *RMB'000*	**Fair value adjustment** *RMB'000*	**Recognised value on acquisition** *RMB'000*
Property, plant and equipment	115	—	115
Intangible assets	—	3,820	3,820
Other non-current assets	1	—	1
Cash and cash equivalents	52	—	52
Trade and other receivable, prepayment	129,068	—	129,068
Current tax liabilities	(12)	—	(12)
Trade and other payables	(3,209)	—	(3,209)
Deferred tax liabilities	—	(955)	(955)
Total identifiable net assets acquired	126,015	2,865	128,880
Proportion of ownership (100%)			128,880
Consideration, satisfied by cash			128,385
Gain on bargain purchase			(495)
Net cash flow arising from acquisition			
Cash consideration paid			(128,385)
Cash acquired			52
Net cash outflow			(128,333)

Acquisition of Jiuyu Asset Management

	Pre-acquisition carrying amount *RMB'000*	Fair value adjustment *RMB'000*	Recognised value on acquisition *RMB'000*
Intangible assets	—	5,045	5,045
Cash and cash equivalents	5	—	5
Trade and other receivable, prepayment	59,948	—	59,948
Trade and other payables	(49,568)	—	(49,568)
Current tax liabilities	(4)	—	(4)
Deferred tax liabilities	—	(1,261)	(1,261)
Total identifiable net assets acquired	10,381	3,784	14,165
Proportion of ownership (100%)			14,165
Consideration, satisfied by cash			10,000
Gain on bargain purchase			(4,165)
Net cash flow arising from acquisition			
Cash consideration paid			(10,000)
Cash acquired			5
Net cash outflow			(9,995)

Acquisition of HFS

	Pre-acquisition carrying amount *RMB'000*	Fair value adjustment *RMB'000*	Recognised value on acquisition *RMB'000*
Property, plant and equipment	169	—	169
Intangible assets	1,187	14	1,201
Cash and cash equivalents	11,307	—	11,307
Trade and other receivable, prepayment	30,957	—	30,957
Current tax assets	128	—	128
Trade and other payables	(11,296)	—	(11,296)
Deferred tax liabilities	—	(3)	(3)
Total identifiable net assets acquired	32,452	11	32,463
Non-controlling interests (10%)			3,246
Proportion of ownership (90%)			29,217
Consideration, satisfied by cash			45,000
Goodwill			15,783
Net cash flow arising from acquisition			
Cash consideration paid			(45,000)
Cash acquired			11,307
Net cash outflow			(33,693)

The goodwill is mainly attributable to the skills and technical talent of HFS's work force and the synergies expected to be achieved from integrating HFS into the Group's existing E-commerce business. None of the goodwill recognised is expected to be deductible for tax purposes.

Non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Bargain purchase was arisen from the acquisition of Zhong Bong Financial Leasing and Jiuyu Asset Management as the Group's interest in net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date exceeds the aggregate of the fair value of the consideration transferred.

21 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of Shenzhen Sinoagri E-commerce Co., Ltd ("Shenzhen Sinoagri") (a very substantial acquisition and connected transaction under the Chapter 14 of the Listing Rules)

On 28 October 2016, Zall Development (BVI) Holding Company Ltd. ("Zall Development (BVI)"), a wholly-owned subsidiary of the Company entered into an acquisition agreement, pursuant to which Zall Development (BVI) conditionally agreed to purchase 60.49% equity interest of the Shenzhen Sinoagri (the "Acquisition") at the consideration up to HK$2.591 billion, which will be satisfied by way of allotment and issue of the consideration shares. Shenzhen Sinoagri's principal business activities include e-commerce and supply chain finance businesses for agricultural products in the PPC. The Acquisition was approved by the shareholder on the Company on 9 March 2017.

(b) Acquisition of Zall Fintech Co., Ltd ("Zall Fintech", formerly known as Sinocan International Technologies Co., Ltd)

On 27 February 2017, Wuhan Zhuo Futong Technology Co., Ltd ("Zhuo Futong"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with Zall Fintech pursuant to which Zhuo Futong agreed to subscribe for 2,500,000 shares in Zall Fintech and Zall Fintech agreed to allot and issue 2,500,000 shares to Zhuo Futong at a consideration of RMB12,500,000 (equivalent to approximately HK$14,104,000). Zall Fintech's principal business activities include mobile payment system, touchscreen display system and intelligent POS terminal solution.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

Strategic transformation from offline to online

In 2016, the Group continued to reinforce its competitive advantage of its core business, and intensified its effort in the internetisation of its core business and O2O integration, so that the Group will continue to transform to the "customer-orientation" and "internetisation". During the year, the Group accelerated its business expansion through organic growth and acquisitions, and established an intelligent collaborative business ecosphere. In respect of e-commerce business, the Group has become the largest shareholder of LightInTheBox Holding Co., Ltd ("LightInTheBox"), and has announced the acquisition of Shenzhen Sinoagri. In respect of financial services business, it established Zall Financial Services Group Limited ("Zall Financial Services Group"). In respect of logistics business, the online-offline integrated Intelligent Cloud Warehouse (智能雲倉) and Zallsoon (卓集送) have been established. The Group's "Wholesale Market + Internet" project known as Zall Cloud Market (卓爾雲市) is supported by all the related business to link up e-commerce, finance, logistics, data, software and supply chain management services for mapping itself in the arenas of intelligent trading, internet of things and cross-border trading, aiming to form a business relationship that features synergetic interaction, mutual support and joint development.

At present, the Group has already established solid online-offline infrastructure. Mega trade and logistics centers, such as North Hankou International Trade Centre and Tianjin E-commerce Mall, have become China's largest physical trading service system. At the same time, Zall Cloud Market, leveraged on the foundation and competitive advantage in the existing trading, warehousing, logistics, and data of large trade and logistics centers, is now developing e-commerce, logistics information and data service businesses. Three major online trade and service platforms, Zallgo(卓爾購), Zallsoon and Zallfuhui(卓服匯) are launched, supplying online wholesale, procurement management core functions and logistics information, trade matching and such other value-added services, which will lead to an integration of offline-online business. The Group strives to forge a unique position and vision as China's largest trading service system. Through Zallgo, LightInTheBox and such other domestic and overseas comprehensive trading platforms, vertical trading platform such as Shenzhen Sinoagri, and the full convergence with logistics, finance and supply chain service platforms including Zallsoon, Zalljinfu (卓金服), Jia16(嘉石榴), Zhuoyitong(卓易通) to form an advanced intelligent trading ecosystem.

Offline business

North Hankou International Trade Centre is the flagship project of the Group leveraging on the advantages of Wuhan as the national integrated transportation hub, and is committed to providing one-stop services including accommodation, exhibition, logistics, finance, manufacturing and export. After 10 years of development, North Hankou International Trade Center currently has an area of more than 5 million square meters, covering 20 major specialized markets including Footwear and Leatherware Mall, Brand Clothing Mall, Small Goods Mall, Hotel Supplies Mall, Textile and Accessory Mall, Curtains world, Automobiles World and Hardware and Lighting Mall, with around 28,000 wholesalers and approximately RMB60 billion transaction volume in 2016, it has become the largest commercial trade logistics centre across the central and western China. By the end of 2016, about 12,000 merchants in Hanzheng Street had moved to North Hankou International Trade Centre. All merchants in the industries of hotel supplies, stationary and sporting goods, and most merchants in women's clothing and brand children's clothing had been relocated to North Hankou International Trade Centre. During the year of 2016, a warehousing and logistics centre with 2 million square meters was completed at North Hankou International Trade Centre, where more than 300 logistics and courier service companies are now stationed.

In terms of transportation facilities, North Hankou Transport Terminal was put into use during the year. It is a modern transportation hub complex built according to the nation's first-class standards. The position of the North Hankou International Trade Centre in Central China's trade logistic has been strengthened by the excellent and convenient transportation and logistics. Upon the formal approval of the eight national ministries in 2016, North Hankou International Trade Centre has been the third batch state-level pilot markets for market procurement trade, and it is also the only pilot market in the central and western provinces. North Hankou International Trade Centre has accelerated the infrastructure for the pilot market and actively consolidated premium resources, as well as enhanced service functions, in order to build an integrated foreign trade service system. Well-know domestic and overseas companies were introduced and stationed in North Hankou Foreign Trade Service Centre, which provide one-stop service for foreign trade enterprises, including registration, filing, customs clearance, tax rebates, foreign exchange, financing and logistics. In addition, a number of global procurement promotion activities were organized for aggressively attracting procurement and service agencies from around the world. More than 100 foreign trade enterprises and service agencies, around the country have contracted to station in North Hankou Foreign Trade Building. By leveraging on its inland market advantages, North Hankou International Trade Centre will achieve "Purchasing and Selling Globally through continuous improvement of foreign trade services. In 2017, owing to the domestic market demand potential brought by the internet transformation, and taking advantages of the global purchase opportunities arising from pilot market trade, North Hankou International Trade Centre will usher in a blowout in export, and become a new growth point in trade and export in the province.

The main construction works of Phase I of Tianjin Zall E-commerce Mall has been completed with a gross floor area of 612,000 square meters, and part of the commercial and trade zones, with interior decorative works completed have commenced operation. Following the grand opening of Haining Leather City (A1 District) in 2015, Dongpi Clothing Wholesale New Market（動批服裝新城）(District B1) commenced business in April 2016, accommodating mainly the merchants from the traditional commerce markets including Beijing Zoo, Dahongmen and Tianjin Big Alley. In 2017, District A and District B of the market area and District C of the e-commerce industrial park will be completely put into operation. The Small Goods Mall project is planned to commence business in May 2017, the District C of the E-commerce Industrial Park is planned to be launched in June 2017, and two blocks of clothing markets are planned to commence business by the end of the year 2017.

Since the commencement of operation in early 2016, Jingzhou Zall City has gradually introduced the merchants of clothing, fur, hotel supplies, sugar, wines and non-staple food as well as daily necessities for business. Display areas have been successfully opened, including Chinese-style Brand Clothing Area（漢派品牌服飾區）, North Hankou Imported Goods Display Centre（萬國優選海淘生活館）, Brand Apparel Discount Area（名品服飾折扣區）, Haining Fur and Leather Mall（海寧皮草皮革館）, Hotel Supplies Wholesale Area（酒店用品批發區）, Kitchen Supplies Supermarket（廚房用品超市）. In 2017, the companies and merchants engaged in agricultural products production, processing and trading, e-commerce exhibition and sale, bedding and sheets, leisure and recreation will also be introduced. All these together will develop Jingzhou Zall City into a larger integrated market gradually.

No. 1 Enterprise Community – Wuhan has formed a gather of the headquarters for industries of culture media, electronic appliances, creative research and development, real estate investment, footwear and leather and clothing. At the end of 2016, a total of 139 companies had settled in the Single Block Office Buildings, with an occupancy rate of more than 70%. Out of which, there were 75 companies in Phase 1 and Phase 2 of the Single Block Office Buildings, with an occupancy rate of over 90%, and 64 companies in Phase 3.

Zall No. 1 Enterprise Community – Changsha, upon its completion and inspection approval towards the end of 2015, sales and marketing work for Phase I of the Changsha project has commenced. 11 enterprises have already moved in.

The North Hankou Industrial City has introduced a large number of well-known Chinese-style women's brands and other large and medium-sized manufacturers. North Hankou Industrial City, together with North Hankou Textile and Accessory City and Brand Clothing City, supporting each other in three main platforms, namely manufacturing, raw materials and distribution to form a modern cluster of clothing industry by integrating production, supply and marketing. In 2016, the North Hankou Industrial City has introduced 71 merchants, with a contract sales area reaching 300,000 square meters.

Phase I of Wuhan Inland Port Centre was basically completed in the second half of 2016. The inland port centre will introduce a city pickup and delivery service platform focused on "cash on delivery" services, providing freight forwarding, special line, less-than-carload freight enterprises with ground distribution operations as well as offering storage and delivery integrated solutions.

Online business

Zallgo, as a cloud market trading platform in China with focus on servicing the offline markets, provides a full set of O2O industry solutions and services, a B2B trading platform, logistics warehousing supporting services and financial services.

The major services provided by Zallgo include "Lexiang"「樂享」and "Jupianyi"「巨便宜」, "Group Purchasing"「團批」, major customer procurement, ordering, centralized warehouse distribution business and advertising platform. In particular, "Lexiang" business supplies quality goods and efficient distribution vehicles to students, who are also able to provide services for daily consumption in the campus by applying to be an agent via the platform, thus supporting college students' work-study programs and help them to start a business. "Jupianyi" platform, by planning, organizing and guiding a series of online promotional activities, enables the merchants to participate in such activities as they need for products exposure, discount promotions, and customer accumulation, so as to provide buyers with more benefits and choices. The "Group Purchasing" business aggregates retail orders into bulk ones so as to reduce the purchase cost and allow sellers to increase sales volume via "Group Purchasing" mode, thus organizing the supply chains and production plans in a more reasonable manner, reducing service costs and mitigating operational risk. Zallgo provides merchants with centralised warehousing and distribution services, which is able to provide more efficient and lower-cost services than their own warehousing and logistics services through the intelligent, large-scale and fine management. At present, services including “Warehouse Leasing at Nil Cost”「零元租倉」, “Delivery Next Day”「次日達」and “Free Postage”「免郵費」have been introduced, which not only enable merchants at the platform to reduce operating costs and management difficulties, but also contribute to sales and development by leveraging on big data and innovative business models. As of 31 December 2016, Zall’s cloud market online wholesale trading platform has covered more than 20 cities across the nation, at which there have been nearly 796 major wholesale markets and more than 110,000 merchants with the transaction amount of RMB48.7 billion and 200,000 registered users. In 2016, Zallgo was recognized as the “2015 China E-commerce Demonstration Market”（2015年全國電子商務示範市場）and one of “Top 100 in the Mobile Internet Industry”（移動互聯網行業百強）. It was nominated in the shortlist of “Word of Mouth Top 10 in FMCG B2B Industry of China”（中國快消品B2B行業「口碑榜」十強）in the industry summit forum of “Internet + FMCG”, being widely recognized by the industry and merchants.

In March 2016, the Group acquired LightInTheBox and became its largest shareholder, which represented a critical part for the Group to expand the cross-border e-commerce business. The acquisition is expected to greatly facilitate the integration of the domestic and foreign trade business, consolidate and link online and offline resources of both parties, in order to aggressively expand cross-border e-commerce business by taking the advantages of data, merchants and goods of Zallgo.

Supply chain management services

As the Group continues to strengthen and expand e-commerce, internet and intelligent trading businesses, it has accumulated a large number of customers in both upstream and downstream of the supply chain. With increased number of customers and product categories, diverse business models and trading patterns, the demands for order management, inventory management and capital management from different customers have become more evident. The operation of the e-commerce platform could meet the diverse needs of customers. In order to effectively enhance the comprehensive competitiveness of the e-commerce platform, the Group has established a several subsidiaries and a joint venture in the second half of 2016 to exploit supply chain management and other value-added services. The business of supply chain management covers corn and rice products of different specifications in the field of grain and agricultural products. Since the inception of Wuhan Zall Agriculture（武漢卓農匯）in August 2016 up to 31 December 2016, a total sales revenue of approximately RMB90 million has been achieved, stable business partnerships were built with nearly 10 upstream and downstream customers. In the non-ferrous metals sector, the business covers a number of segments including electrolytic copper, aluminum ingots and electrolytic nickel. Since the establishment of the joint venture in September 2016 up to 31 December 2016, a total of sales revenue of approximately RMB27 billion has been achieved, and stable business partnerships with nearly 13 upstream and downstream customers were established. In 2017, the Group aims to expand its supply chain management business by deepening its product varieties, customers and service types, and seek to carry out and expand the business of supply chain management comprehensively in relation to nearly ten products varieties including non-ferrous metals, oil and foodstuffs.

On 28 October 2016, the Group acquired 60.49% of the equity interest of Shenzhen Sinoagri, at a consideration of approximately HKD2.591 billion. Shenzhen Sinoagri is engaged in e-commerce and supply chain management businesses for agricultural products in the PRC. Shenzhen Sinoagri is an industry leader which gives it a strong competitive advantage in the white sugar B2B market, with a customer base covering a substantial majority of the participants in the industry. Shenzhen Sinoagri constantly expands its market share and maintain its leadership in the white sugar industry and makes good use of its successful business model in the white sugar to other products such as cocoon silk, eucalyptus boards products and fruit products, in order to achieve centralized control, so as to engage in vertical integration of B2B transactions and expand to products with higher standard. The acquisition marks the further development of the Group's e-commerce and supply chain finance businesses. The Group will enlarge its client base and increase the Group's revenue in the long run, and strengthen the Group's existing e-commerce and supply chain finance businesses.

Supply chain finance services

In 2016, the Group sets up Zall Financial Services Group, which aims at providing one-stop financial services including comprehensive supply chain finance, finance leasing, factoring and guarantees and is a key milestone to improve the ecosphere of Zall's intelligent transactions and enhancing its supply chain financial services. Its principal businesses includes guarantees, finance leasing, commercial factoring and direct financing to e-commerce customers. Zall Financial Services Group actively develops a mutual supply chain finance service mode, which regards core merchants, and upstream suppliers and downstream distributors as a whole in respect of the entire supply chain management to provide merchants with customised capital solutions based on the chain relationship in the transactions and industry characteristics and make effective and reasonable match between idle funds of merchants, bank funds, public funds and borrowing needs of merchants to improve the efficiency of capital use and form a safe financial closed-loop effect. Taking advantage of differences in the market during peak and off seasons, the Group is able to adjust the demand and supply of funds effectively and satisfy the investment and financing needs of merchants in the wholesale market efficiently with lower costs. As at the end of 2016, the internet financial platform of Zall Financial Services Group had a total of 188,800 registered members with a total financing of approximately RMB4.32 billion.

Zalljinfu is the supply chain finance services platform on Zall's trading platform, which effectively integrates trading information, logistics and property information, storage information of online and offline wholesale market, forming a big-data risk-control model and credit rating system, to provide core merchants and their upstream suppliers and downstream customers at Zall's trading platform a convenient, fast and low-cost financing information service. In addition to the traditional mortgage business, Zalljinfu provides tailor-made financial services for its whole upstream and downstream supply chain according to the trading characteristics of the wholesale market. In particular, as merchants of Zallgo have financing needs in the trading process, Zalljinfu tailored credit loan services based on sellers and buyers, warehouse receipt pledge and stock right pledge financing services. Zalljinfu provides supply chain finance services based on logistics service process and logistic production process. Based on third-party logistics service carriers on the Zallsoon platform, Zalljinfu designed accounts receivable factoring and financing, order financing and credit loan services.

HFS established and operates Jia16 (www.jia16.com). It is one of the first members of the China Internet Finance Association and took the lead in establishing a platform capital depository system in October 2016 to safeguard the security of funds in investment transactions. Leveraging on the comprehensive business resources, excellent information technology, abundant resources of financial projects and stringent risk control system of the Group, HFS strives to offer professional and reliable investment and financial services to its members.

Jiuyu Asset Management devotes to provide upstream and downstream customers of the Zall intelligent trading platform a safe and sound investment advisory and asset management services. For the year ended 31 December 2016, it has provided investment and asset management services amounting to an aggregate of approximately RMB140 million (in principal) and achieved safe collection for all due projects.

North Hankou Guarantee（漢口北擔保）provides support and services for healthy development of clients on each link of the supply chain of the professional market in North Hankou International Trade Centre and meet financial needs of merchants there. As of the year 2016, the Company was granted bank credit amounting to approximately RMB550 million in total, the balance of which reached approximately RMB140 million. Financing amounted to approximately RMB260 million, of which approximately RMB500 million was for corporate clients and RMB900 million was for individual customers.

Warehousing and Logistics Services

Zallfuhui focuses on the online and offline warehouse goods custody services for enterprises, wholesale markets and various types of social dealers, financial products regulatory business as well as warehouse leasing and upgrading support. Capitalizing on its abundant customer resources in the wholesale market, Zallfuhui provides supply chain system support and implements standard management of warehouses according to the demand for warehouse from the wholesale markets and merchants. It expands profit margins by an unified warehousing and distribution system to reduce merchant warehouse management costs and improve efficiency. Through various professional management systems and by working with owners of cargo, Zallfuhui captures cargo supply to drive the growth in intra-city and, particularly, inter-city orders effectively and acquires big data about the flow of goods. Zallfuhui also develops supply chain products and offers professional supply chain services in accordance with the actual needs of enterprises and distributors to establish a closer relationship with them and participates in merchant sales so as to boost the number of orders and transactions of Zallgo. As at 31 December 2016, Zallfuhui's platform recorded a turnover of approximately RMB180 million and its logistics orders amounted to 186,000. The cloud warehouses under its management have covered 29 cities with an area of 7.8 million square meters.

Regarding the wholesale market with concentrated logistics demand as the starting point and adopting "professional transportation services for professional users" as the business philosophy, Zallsoon is attuned to the characteristics of logistics transactions. It created a logistics information and trading platform, introduced and enhanced its credit assessment system and achieved one-to-one connection between owner of cargo and owner of vehicle so as to significantly improve operating efficiency. The smart match of supply and demand and real-time monitoring of order status makes the services more transparent and simple. Further, it creates a new "Internet Plus" logistics service model. In 2016, dedicated intra-city lines, intercity trunk lines, cargo insurance and quick delivery services were introduced. Zallsoon set a nationwide expansion goal with Wuhan as the center, it provided logistics information (for goods delivery) for the cargo owners and transaction services according to logistics needs through a new "Internet Plus" smart logistics service model, enhanced customer loyalty to the platform by identifying the characteristics of logistics transactions, and obtained basic downstream information by participating in merchant sales. As at 31 December 2016, Zallsoon has provided services to about 150,000 owners of cargo with over 30,000 active drivers on its platform. Total orders in aggregate amounted to nearly 3 million for the year with an average of over 30,000 orders per day, while cargo supply covered 12 cities including Wuhan, Changsha, Zhengzhou, Shanghai, Guangzhou and Tianjin.

Investment portfolio

The major investment of the Group as at 31 December 2016 and 31 December 2015 is as follows:

As at 31 December 2016

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquisition cost	Carrying amount as at 31 December 2016	Unrealised holding gain/(loss) arising on revaluation for the year ended 31 December 2016	Realised holding gain arising on revaluation for the year ended 31 December 2016	Dividend received/ receivable for the year ended 31 December 2016
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
607	Fullshare	680,480,000	3.5%	734,920	2,203,480	1,120,304	—	6,805
Warrant					5,241	(2,287)	—	—
					2,208,721	1,118,017	—	6,805

As at 31 December 2015

Stock code	Name of investee company	Number of shares held	Effective shareholding interest	Acquistion cost	Carying amount as at 31 December 2015	Unrealised holding gain arising on revaluation for the year ended 31 December 2015	Realised holding gain arising on revaluation for the year ended 31 December 2015	Dividend received/ receivable for the year ended 31 December 2015
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
607	Fullshare	680,480,000	4.4%	734,920	1,083,176	348,358	540	—
					1,083,176	348,358	540	—

The performance and prospects of the major investment during the year is as follows:

The Group held approximately 680,480,000 shares in Fullshare, representing approximately 3.5% of its entire issued share capital as at 31 December 2016 and recognised an unrealised gain of approximately RMB1,120,304,000 for the year ended 31 December 2016. The carrying amount of investment in Fullshare accounts for 7.4% of the Group's total assets as at 31 December 2016. Fullshare is listed on the main board of the Stock Exchange. The principle activities are property development, tourism, investment, provision of healthcare products and services business and new energy business. The Group believes that the Fullshare Group's growth momentum remains strong and expects the Group's investment in Fullshare to continue to generate return for the Group.

Results of Operation

Revenue

Revenue of the Group increased by approximately 17.9% from RMB1,029.5 million for the year ended 31 December 2015 to RMB1,213.4 million for the year ended 31 December 2016. The increase was primarily due to the offsetting effect of (i) the increase in the sales of properties; (ii) the increase in rental income; (iii) the decrease in revenue from construction contracts; and (iv) the increase in revenue from E-commerce and financial service business; and (v) the revenue contribution from supply chain management and trading business.

Sales of properties

Revenue from sales of properties increased by approximately 4.5% from RMB696.0 million for the year ended 31 December 2015 to RMB727.1 million for the year ended 31 December 2016.

The Group's revenue from sales of properties was generated from sales of industrial plants units, auxiliary facilities units, office and retails units and residential apartments. The GFA and ASP of the respective projects sold during the year ended 31 December 2016, together with the comparative figures for the year 2015 are set forth below:

	For the year ended 31 December					
	2016			2015		
	GFA Sold *(sq.m.)*	**Average selling price (net of business tax)** *RMB/sq.m.*	**Revenue from sales of properties** *(RMB'000)*	GFA Sold *(sq.m.)*	Average selling price (net of business tax) *RMB/sq.m.*	Revenue from sales of properties *(RMB'000)*
North Hankou Project	**86,892**	**3,795**	**329,779**	65,666	6,247	410,202
Zall Tianjin	**48,850**	**5,563**	**271,772**	—	—	—
No. 1 Enterprise Community — Wuhan	**12,380**	**4,402**	**54,498**	19,310	4,875	94,132
No. 1 Enterprise Community — Changsha	**10,350**	**4,386**	**45,391**	6,944	4,500	31,249
Zall Life City — Zall Hupan Haoting Residences	**4,427**	**5,487**	**24,289**	8,507	5,343	45,452
Jingzhou Zall City	**440**	**3,064**	**1,348**	14,806	4,107	60,806
Wuhan Salon	—	—	—	7,326	7,386	54,110
Total	**163,339**		**727,077**	122,559		695,951

During the year under review, the increase in the Group's revenue from sales of properties was mainly due to the offsetting effect of (i) the increase in the GFA delivered of certain properties; and (ii) the change in combination of properties sold in result of the lower average selling price during 2016.

Although the GFA sold in North Hankou Project increased by approximately 32.3% from 65,666 sq.m. for the year ended 31 December 2015 to 86,892 sq.m. for the year ended 31 December 2016, its turnover decreased by approximately 19.6% from RMB410.2 million for the year ended 31 December 2015 to RMB 329.8 million for the year ended 31 December 2016. This is primarily due to the lower average selling price from the sales of the North Hankou Industrial City, which is the one of the newly completed properties during the current year, as a result the average selling price (net of business tax) has decreased significantly by 39.3% from RMB6,247 per sq.m. for the year ended 31 December 2015 to RMB3,795 per sq.m. for the year ended 31 December 2016.

Zall Development (Tianjin) Co., Ltd. ("Zall Tianjin") sold 48,850 sq.m. properties under development to the local government and generated revenue about RMB271.8 million for the year ended 31 December 2016.

The GFA sold in No.1 Enterprise Community. Wuhan decreased by approximately 35.9% from 19,310 sq.m. for the year ended 31 December 2015 to 12,380 sq.m. for the year ended 31 December 2016.

The GFA sold in No. 1 Enterprise Community. Changsha increased by approximately 49.0% from 6,944 sq.m. for the year ended 31 December 2015 to 10,350 sq.m. for the year ended 31 December 2016.

The GFA sold in Zall Life City. Zall Hupan Haoting Residences decreased by approximately 48.0% from 8,507 sq.m. for the year ended 31 December 2015 to 4,427 sq.m. for the year ended 31 December 2016.

No sales of properties from Wuhan Salon for the year ended 31 December 2016 as the Group has disposed of its entire equity interest in the project during the year ended 31 December 2015.

Rental income

The Group's rental income increased significantly by approximately 76.0% from RMB103.5 million for the year ended 31 December 2015 to RMB182.1 million for the year ended 31 December 2016. The increase was primarily due to an increase in the number of wholesale shopping mall units in the North Hankou Project retained for leasing and an increase in rent per square meter.

Revenue from construction contract

The Group's revenue from construction contract to build certain properties on behalf of a third party decreased by approximately 56.7% from RMB197.0 million for the year ended 31 December 2015 to RMB85.3 million for the year ended 31 December 2016. The revenue was recognised according to the actual cost incurred for the year ended 31 December 2016. The decrease for the year 2016 was primarily due to projects being at their completion stage in the year under review.

Revenue from E-commerce and financial services business

The Group's revenue from e-commerce and financial services business increased significantly by approximately 290.6% from RMB5.6 million for the year ended 31 December 2015 to RMB21.8 million for the year ended 31 December 2016. The increase was mainly due to acquisition of interest in Zhong Bong Financial Leasing, Hangzhou Jiuyu Asset Management and HFS during the year under review.

Revenue from supply chain management and trading business

The Group's revenue from supply chain management and trading business has first time contributed approximately 13.7% of the Group's total turnover for the year ended 31 December 2016. Owing to the Group's rapid development of e-commerce business, Zallgo and commodity market business which has led to a concentration of transaction parties, the need for supply chain management service develops rapidly with the demand for synchronisation of information along the supply chain. As a result, the Group has established various supply chain management and trading companies to commence such business which has contributed revenue of RMB166.8 million to the Group during the year ended 31 December 2016.

Cost of sales

Cost of sales of the Group increased by approximately 12.4% from RMB758.3 million for the year ended 31 December 2015 to RMB852.1 million for the year ended 31 December 2016, primarily due to the effect of recognition of cost of inventories of RMB165.2 million from the supply chain management and trading business during the year.

Gross profit

Gross profit of the Group increased by approximately 33.2% from RMB271.2 million for the year ended 31 December 2015 to RMB361.3 million for the year ended 31 December 2016. The Group's gross profit margin increased slightly from 26.3% in 2015 to 29.8% in 2016. The increase was mainly due to an increase in rent per square meter and an increase of profit from operating lease. With the increase in rent per square meter and in rental area, the gross profit from rental income increase from scale effect.

Other income

Other income of the Group increased from RMB972.2 million for the year ended 31 December 2015 to RMB1130.5 million for the year ended 31 December 2016. The increase was mainly due to the offsetting effect of (i) the increase in fair value change on financial assets at fair value through profit or loss of RMB769.7 million; (ii) the decrease in gain on early redemption of convertible bonds of RMB123.8 million; and (iii) the decrease in gain arising from bargain purchase and remeasurement of interests in of subsidiaries of RMB362.6 million.

Selling and distribution expenses

Selling and distribution expenses increased slightly by approximately 0.1% from RMB141.3 million for the year ended 31 December 2015 to RMB141.5 million for the year ended 31 December 2016. The increase was primarily due to the offsetting effect of (i) an increase of RMB12.6 million and RMB6.9 million in staff related cost and office expenses respectively; and (ii) a decrease of RMB19.9 million in promotion expenses and other expenses related to Zall Football Club, which was disposed during the year of 2015.

Administrative and other expenses

Administrative and other expenses of the Group increased slightly by approximately 4.3% from RMB153.5 million for the year ended 31 December 2015 to RMB160.1 million for the year ended 31 December 2016. The increase was primarily due to an increase of RMB4.2 million in office expenses.

Increase in fair value of investment properties and non-current assets classified as held for sale and fair value gain upon transfer of completed properties held for sale to investment properties

The Group holds a portion of properties developed for rental income and/or capital appreciation purposes. The Group's investment properties are revaluated at the end of the respective review period on an open market value or existing use basis by an independent property valuer. For the year ended 31 December 2016, the Group recorded fair value change of investment properties and non-current assets classified as held for sale of RMB111.3 million (2015: RMB439.6 million) and fair value gain upon transfer of completed properties held for sale to investment properties of RMB1,164.4 million (2015: RMB798.2 million). The increase of RMB37.9 million in fair value of the Group's investment properties during the year ended 31 December 2016 reflected the increased number of auxiliary facilities units retained for rental purposes.

Share of loss of joint ventures

Share of loss of joint ventures consisted primarily of share of loss from Wuhan Zall Shengtang Properties Co., Ltd. and Zall Heng Supply Chain Management (Wuhan) Co., Ltd., which reflected the Group's 60% equity interest share of loss of these entities. No share of profit or loss from Wuhan Big World Investment and Development Co., Ltd ("Wuhan Big World Investment") and Wuhan Big World Marketing Management Co., Ltd. ("Wuhan Big World Management") respectively, as these entities became a subsidiary of the Group after business combination during the year of 2015. The Group further acquired the remaining equity interest of Wuhan Big World Investment and Wuhan Big World Management during the year of 2016 and became wholly-owned subsidiaries of the Group.

Share of loss of associates

Share of loss of associates consisted primarily of share of loss from LightInTheBox, which reflected the Group's 32.6% equity interest share of loss of this entity.

Gain on disposal of subsidiaries

The Group disposed its subsidiary Panlong Zall and recognised a gain of RMB95.6 million during the year of 2016.

Finance income and costs

For the year ended 31 December 2016, interest income of RMB3.6 million (2015: RMB5.7 million) was credited to the consolidated statement of profit or loss.

For the year ended 31 December 2016, a net finance cost of RMB192.3 million (2015: RMB264.9 million) was charged to the consolidated statement of profit or loss. The decrease was mainly attributable to the decrease in interest on the convertible bonds which was fully redempted in second half of 2015.

Income tax

Income tax increased by approximately 27.8% from RMB228.2 million for the year ended 31 December 2015 to RMB291.6 million for the year ended 31 December 2016. The increase was mainly due to the effect of (i) the increase in PRC corporate income tax of RMB26.8 million as the taxable profit increase; (ii) the increase of PRC LAT of RMB14.0 million as the Group generates a higher profit from disposal of properties under development from Zall Tianjin; and (iii) the increase in deferred tax of RMB22.6 million as result of a slight increase of fair value gain from investment properties in 2016 and the reversal of deferred LAT relating to Tianjin Zall E-Commerce Mall on 2015. The Group's effective tax rate increased from approximately 10.0% for the year ended 31 December 2015 to approximately 12.4% for the year ended 31 December 2016.

Profit for the year

For the year ended 31 December 2016, the Group recorded a net profit of RMB2,056.6 million. Profit attributable to equity shareholders of the Company was RMB2,049 million, representing an increase of approximately 0.8% over the amount of RMB2,037.7 million for the year ended 31 December 2015.

Liquidity and capital resources

As at 31 December 2016, cash and cash equivalents of the Group was RMB273.3 million (2015: RMB243.5 million). 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.

Capital expenditure

For the year ended 31 December 2016, the Group's total expenditure in respect of property, plant and equipment and investment properties under development amounted to RMB10.6 million and RMB95.6 million (2015: RMB115.1 million and RMB548.6 million), respectively.

Bank loans and loans from other financial institutions

As at 31 December 2016, the Group's total long-term and short-term loans was RMB8,393.9 million, representing an increase of RMB1,999.1 million over the amount of RMB6,394.8 million as at 31 December 2015. Majority of loans were denominated in the functional currency of the Group.

Net gearing ratio

As at 31 December 2016, the net gearing ratio (calculated by dividing total borrowings, net of cash and cash equivalents, restricted cash and short term bank deposits, by total equity attributable to equity shareholders of the Company) of the Group was 62.5% (2015: 60.2%).

Foreign exchange risk

The Group's sales were primarily denominated in RMB, being the functional currency of the Group's major operating subsidiaries. Accordingly, the Board expects any future exchange rate fluctuation will not have any material effect on the Group's business. As at 31 December 2016, 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 31 December 2016, the Group had pledged certain of its assets with a total book value of RMB16,253.1 million (2015: RMB10,165.0 million) for the purpose of securing certain of the Group's bank borrowings.

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.

During the year, the Group's wholly-owned subsidiary, Wuhan Guarantee Investment is principally engaged in provision of business start-up loan guarantee and personal loan guarantee for entrepreneurs in the PRC. In accordance with the terms stipulated in the relevant agreements, Wuhan Guarantee Investment is required to make payments to reimburse the beneficiary of the guarantee for the loss incurs if a specified borrower fails to make payment when due.

As at 31 December 2016, the guarantees provided to lenders in relation to personal loans and banks in relation to mortgage facilities granted to purchasers of the Group's properties amounted to RMB148.8 million (2015: RMB103.4 million) and RMB1,881.8 million (2015: RMB1,455.9 million), respectively.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group employed a total of 1,422 full time employees (2015: 979). The increase of headcount during the year under review was mainly due to new business development such as e-commerce and supply chain services. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2016, the employees benefit expenses were RMB86.1 million (2015: RMB56.2 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires.

The Group has also adopted a share option scheme (the "Share Option Scheme") and a pre-IPO share option scheme (the "Pre-IPO 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. As at 31 December 2016, there was no outstanding share options under the Share Option Scheme and Pre-IPO Share Option Scheme. Further information in relation to the Share Option Scheme and Pre-IPO Share Option Scheme will be set out in the annual report of the Company for the year ended 31 December 2016.

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 upon the listing of its shares on the Stock Exchange. In the opinion of the Board, save for the deviation to code provision A.2.1 below, the Company had complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2016.

Code Provision A.2.1

Under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual.

During the year ended 31 December 2016, the Company has not separated the roles of chairman and chief executive officer of the Company and Mr. Yan Zhi acted as the co-chairman together with Dr. Gang Yu since 17 August 2015 and also the chief executive officer of the Company, responsible for overseeing the operations of the Group. The Board believes that vesting the two roles in the same person provides the Company with strong and consistent leadership and facilitates the implementation and execution of the Group's business strategies currently and in the foreseeable future. The Group will nevertheless review the structure from time to time in light of the prevailing circumstances.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for dealing in securities of the Company by the Directors during the year ended 31 December 2016. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code for the year ended 31 December 2016.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 3 June 2016, Zall Development Investment Company Limited, a company wholly-owned by Mr. Yan Zhi and a controlling shareholder of the Company, executed a share charge in favour of the Industrial Bank Co., Ltd. Hong Kong Branch (the "**Lender**"), pursuant to which Zall Development Investment Company Limited charged over 888,000,000 shares of the Company held by it as security for a term loan facility provided by the Lender to the Company in the amount of HK$500 million, pursuant to a facility letter dated 31 May 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

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

The Audit Committee has reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters. The annual results of the Group for the year ended 31 December 2016 have also been reviewed by the Audit Committee.

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

Scope of work of KPMG

The financial figures in respect of the announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor on the result announcement.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2016 (2015: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on Thursday, 18 May 2017. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS TO ASCERTAIN SHAREHOLDERS' ENTITLEMENT TO ATTEND AND VOTE AT THE AGM

In order to determine who are eligible to attend and vote at the AGM, the Company's register of members will be closed for three days from Tuesday, 16 May 2017 to Thursday, 18 May 2017 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to be qualified to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 May 2017.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of Stock Exchange at http://www.hkexnews.hk and on the Company's website at http://www.zallcn.com. The annual report for the year ended 31 December 2016 of the Group containing all the information required by the Listing Rules will also be published on the same websites and be dispatched to the shareholders of the Company in due course.

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

Hong Kong, 31 March 2017

As at the date of this announcement, the Board comprises Mr. Yan Zhi, Dr. Gang Yu, Mr. Cui Jinfeng, Mr. Wang Chuang and Mr. Peng Chi as executive directors of the Company; Mr. Cheung Ka Fai, Mr. Wu Ying, Mr. Wei Zhe, David and Mr. Zhu Zhengfu as independent non-executive directors of the Company.